IMPACT OF PROGRAM CHANGES AND BUDGET CUTS IN AFDC, MEDICAID, AND SOCIAL SERVICES PROGRAMS

JOINT HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

AND

SUBCOMMITTEE ON OVERSIGHT

OF THE

COMMITTEE ON WAYS AND MEANS

AND

SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT

OF THE

COMMITTEE ON ENERGY AND COMMERCE
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IMPACT OF PROGRAM CHANGES AND BUDGET CUTS IN AFDC, MEDICAID, AND SOCIAL SERVICES PROGRAMS

MONDAY, NOVEMBER 9, 1981

HOUSE OF REPRESENTATIVES, SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, AND SUBCOMMITTEE ON OVERSIGHT OF THE COMMITTEE ON WAYS AND MEANS; AND SUBCOMMITTEE ON HEALTH AND THE ENVIRONMENT OF THE COMMITTEE ON ENERGY AND COMMERCE

Memphis, Tenn.

The subcommittees met at 9:30 a.m., pursuant to notice, in the Council Chambers, City Hall, Memphis, Tenn., Hon. Harold Ford (chairman of the Subcommittee on Public Assistance and Unemployment Compensation) presiding.

[The press releases announcing the hearing follow:]

[Press release of Wednesday, Oct. 14, 1981]

THREE HOUSE SUBCOMMITTEE CHAIRMEN—REPRESENTATIVE HAROLD E. FORD (SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION, COMMITTEE ON WAYS AND MEANS), REPRESENTATIVE CHARLES B. RANGEL (SUBCOMMITTEE ON OVERSIGHT, COMMITTEE ON WAYS AND MEANS), AND REPRESENTATIVE HENRY A. WAXMAN (SUBCOMMITTEE ON HEALTH AND ENVIRONMENT, COMMITTEE ON ENERGY AND COMMERCE)—ANNOUNCE PLANS TO CONDUCT JOINT OVERSIGHT FIELD HEARINGS IN NOVEMBER ON THE IMPLEMENTATION AND IMPACT OF FISCAL YEAR 1982 BUDGET REDUCTIONS AND PROGRAM CHANGES IN RELATED HEALTH AND PUBLIC ASSISTANCE PROGRAMS UNDER THE JURISDICTION OF THEIR SUBCOMMITTEES

The Honorable Henry A. Waxman (D., Calif.), Chairman of the Health and Environment Subcommittee of the Committee on Energy and Commerce, the Honorable Charles B. Rangel (D., N.Y.), Chairman of the Oversight Subcommittee of the Committee on Ways and Means, and the Honorable Harold E. Ford (D., Tenn.), Chairman of the Public Assistance and Unemployment Compensation Subcommittee of the Committee on Ways and Means, today announced plans to hold several joint oversight hearings on FY 82 reductions in Federal funds and program changes in the Aid to Families With Dependent Children (AFDC), Medicaid and Title XX Social Services programs. The hearings, planned to begin in early-to-mid November, will be held in different regions of the country. The first hearing is scheduled to be held in Memphis, Tennessee. Witnesses from surrounding States will be invited to participate.

Major program changes and reductions in Federal funds for the AFDC, Medicaid and Title XX Social Services programs were legislated in the Omnibus Budget Reconciliation Act of 1981. The reduced funding levels and most of the program changes were effective October 1, 1981. The hearings will focus on the cumulative effects of these changes, the number of individuals and families who have lost cash and medical assistance and social services as a result of these changes, and the extent to which the loss of these benefits will encourage individuals to increase or decrease their work effort. The subcommittees are also concerned about whether alternative sources of medical and other assistance are available to those who have been terminated from AFDC and Medicaid. The hearings will look into some of the problems States are having in implementing the many federally mandated changes, particularly in the AFDC program. In addition, the subcommittees will examine whether States have the financial or administrative resources to absorb further reductions.

The date for the hearings in Memphis and information about additional hearings will be announced in a subsequent press release. Today's announcement is intended to provide advance notice of the planned field hearings.

[Press release of Tuesday, Oct. 27, 1981]

THE PREVIOUSLY ANNOUNCED REGIONAL FIELD HEARINGS IN MEMPHIS, TENNESSEE, ON THE IMPACT OF THE AFDC, MEDICAID AND TITLE XX SOCIAL SERVICES FISCAL YEAR 1982 BUDGET CUTS, WILL BE HELD ON MONDAY, NOVEMBER 9, 1981, IN THE COUNCIL CHAMBERS OF THE CITY HALL BUILDING

The Honorable Harold E. Ford (D., Tenn.), Chairman of the Public Assistance and Unemployment Compensation Subcommittee of the Committee on Ways and Means, the Honorable Charles B. Rangel (D., N.Y.), Chairman of the Oversight Subcommittee of the Committee on Ways and Means, and the Honorable Henry A. Waxman (D., Calif.), Chairman of the Health and Environment Subcommittee of the Committee on Energy and Commerce today announced that the joint oversight hearings to be conducted in Memphis, Tennessee, will be held on Monday, November 9, 1981, in the Council Chambers of the City Hall Building, beginning at 9:30 a.m. The address of the City Hall Building is 125 Mid-America Mall North.

These hearings, previously announced in a Ways and Means Committee press release dated October 14, 1981, will focus on the impact of the program changes and Federal budget cuts in Aid to Families with Dependent Children (AFDC), Medicaid and Title XX Social Services programs. Witnesses from Tennessee, Arkansas and Mississippi to present testimony.

For more information concerning the hearing in Memphis, refer to the earlier press release or call the Committee offices.

Chairman FORD. The committee will come to order.

I want to begin by introducing my distinguished colleagues from the U.S. House of Representatives; Representative Charles Rangel from New York, the chairman of the Oversight Subcommittee of the Committee on Ways and Means, to my right; Representative Henry Waxman from California, the chairman of the Health and Environment Subcommittee of the Committee on Energy and Commerce; and Representative Don Bailey from Pennsylvania, a member of the Public Assistance and Unemployment Compensation Subcommittee of the Committee on Ways and Means.

There are other Members of Congress due to arrive shortly.

I welcome all of you to Tennessee, and especially welcome you to the city of Memphis.

The hearings today will focus on the impact in Tennessee, Arkansas, and Mississippi of recent changes and Federal budget reductions in the aid to families with dependent children (AFDC), medicaid, and title XX social services programs.

These are the basic Federal-State programs that provide cash and medical assistance, and necessary social services, to low-income individuals and families.

The hearing is being held and conducted today jointly by three subcommittees: the Oversight Subcommittee of the Committee on Ways and Means, chaired by Congressman Rangel; the Health and Environment Subcommittee of the Committee on Energy and Commerce, chaired by Congressman Waxman; and the Public Assistance and Unemployment Compensation Subcommittee of the Committee on Ways and Means, which I chair.

Earlier this year, President Reagan signed the Omnibus Budget Reconciliation Act of 1981, which cut Federal spending in fiscal year 1982 by over $35 billion. Approximately $25 billion of this—or 70 percent—represented cuts in Federal funds for social programs that serve low- and middle-income people.

All of us, on a bipartisan basis, I believe, support the administration's desire to improve the management of Federal assistance and social services programs.

And we certainly support the President's concept of a safety net to protect the truly needy.

There is genuine disagreement, however, on what these terms mean, and on how many of this Nation's disadvantaged, elderly and handicapped will be adversely affected by the administration's program. Some of us are concerned that the recent Federal budget cuts have torn gaping holes in the social safety net the President promised to maintain.

Nearly $7 billion of budget cuts directly affect safety net programs. For example: $1.2 billion was cut from AFDC; $944 million was cut from medicaid; over $600 million was cut from title XX social services; and over $1.7 billion was cut from food stamps and $1.5 billion from child nutrition; and maternal and child health funds were reduced by 18 percent.

The administration's budget proposals raise fundamental questions about the role of government in assisting the least fortunate among us, and there is uncertainty about the effects the many program changes and budget cuts will have on the lives of millions of Americans.

While the full impact of these cuts will not be known for some time, initial estimates indicate that, as a result of changes legislated in the Budget Reconciliation Act: Nearly 700,000 families will lose all or part of their welfare benefits; 22.5 million people who have been eligible for health care through the medicaid program face service reductions or loss of health benefits that will vary from State to State; and upward of 250,000 aged, blind, and disabled persons may lose social services and 120,000 children may lose day care services.

Many people rely on assistance from more than one of these programs. For example, all AFDC recipients are eligible for medicaid. We hope to obtain information during the course of these hearings on the cumulative effects of the budget cuts in different programs, and the number of individuals and families who have lost, or will lose in the future, cash and medical assistance or social services in Tennessee, Arkansas, and Mississippi.

How these changes will affect individuals receiving AFDC and medicaid who are working, trying to become self-sufficient, is an area of particular concern.

We have seen reports that some working AFDC recipients, will have incomes no higher than those who do not work; and others may be financially better off if they quit their jobs and become completely dependent on welfare.

In Tennessee, for example, prior to the changes which were scheduled to take effect on October 1 of this year, a working mother with two children and average work expenses could earn upward of $500 to $600 a month and still maintain medicaid coverage for herself as well as her children.

Medicaid would be crucial to such a family because few low-wage jobs provide adequate, if any, health care coverage. However, with the implementation of the recently enacted budget-cutting provisions, it is my understanding that a family of three with earnings of $269 a month—or $3,200 a year—would lose eligibility for AFDC and possibly medicaid in Tennessee.

If this is the case, what is going to happen to families where the mother has a job that pays something over $300 a month, but provides no health insurance coverage?

How is the mother going to obtain necessary medical care for herself and her children? Are there some working mothers who will find that it makes more sense for them to quit their jobs rather than lose medicaid coverage for their children?

These are some of the questions that we hope to get responses and answers for today.

The States have just begun to implement a huge number of program changes and to cope with the reduced Federal financial support resulting from the 1981 Budget Reconciliation Act. And there is concern over the ability of State and local governments to fill the void left by decreased Federal involvement in social programs.

The subcommittees want to learn the problems States may be experiencing in implementing federally mandated changes, and their ability to absorb the budget reductions and further budget cuts that may be proposed by the administration.

The hearing today begin a series of planned regional oversight hearings that we plan to conduct. Our objective is to seek answers to the questions raised by the budget cuts by talking directly with the people most closely involved with the cuts—State program administrators, recipients, and service providers.

Our leadoff witness today is the Governor of the State Tennesee, the Honorable Lamar Alexander. Later this morining, we will hear from individuals representing Governor Winter of Mississippi and Governor White of Arkansas. We will also hear from a panel of AFDC and medicaid recipients; and panels of health and social service experts, as well as providers. I want to thank all of the witnesses who have taken time from their busy schedules to come and to be with us today to testify before the committee.

Before I recognize the chairman of the Oversight Subcommittee and chairman of the Health and Environment Subcommittee, I would like to just personally welcome each and every one of the Members of the Congress to my hometown, to the city of Memphis.

At this time, I would like to recognize the chairman of the Oversight Subcommittee of the Committee on Ways and Means, Congressman Charles Rangel.

Mr. **Rangel.** Mr. Chairman, my colleagues and Governor, we come here as the Representatives of Congress and in my capacity as the chairman of the Oversight Subcommittee, to test the fabric of the social service network that the President has promised the American people.

Certainly what has been described by the administration as a recession for some is a tragic depression for many others. We hope, as the jobless rate increases, that people will be able to have more confidence in their Government and that we will respond with programs that will avoid the pain that they will be subjected to.

We fully appreciate, Governor, that many States have planned their budget following what they thought Federal policies were and have been let down by cutbacks in Federal spending and a cutback in tax collections at a time when more people are unemployed than ever in the history of the United States.

The answer from the administration appears to be further cutbacks in human services and an increase in taxes that would fall upon the poor.

We appreciate that you and others are coming to assist the Congress because we feel that while we are anxious to support an economic recovery package, this package should not be based upon the misery and tragic events that the poor and helpless of our Nation have to suffer.

And so, Mr. Chairman, let me thank you for the leadership that you have provided. Long before the Congress and our Ways and Means Committee decided to test this, you provided the leadership by going to the other subcommittees and bringing us to your hometown, and I sincerely hope and am confident that other committees of the House will follow this type of leadership so that as we attempt to serve all of the people in the United States. For those that don't have the power to lobby and those that can't get to the Nation's Capital, we will bring the Nation's Government to them.

Thank you for your leadership in this area.

[Mr. Rangel submitted the following:]

OPENING STATEMENT BY CHAIRMAN CHARLES B. RANGEL

This hearing is the first of many that will be taking place across the nation in small and large communities in order to ascertain the impact of massive cutbacks initiated by the Reagan Administration in social spending programs. Programs which had been designed over a fifty year period to assist those Americans who cannot work, who cannot find work, or who work but receive wages that are inadequate to meet their basic daily needs.

When the President first presented his budget to the Congress, he pledged that a "Social Safety Net" of seven programs: Social Security; Medicare; Aid to Families with Dependent Children; Unemployment Insurance; the School Lunch Program; Special Services for the Elderly; and Supplemental Security Income would be exempt from the budget ax. He further went on to say that lower income elderly, children, disabled and other disadvantaged groups—the "truly needy"—would not suffer from his plan. He claimed that his so-called "Social Safety Net" would protect those who are truly in need.

Yet each succeeding budgetary proposal by the Administration has resulted in an eroding of his pledge to the American people. This spring the Administration proposed cuts in Social Security totaling $3.8 billion for fiscal year 1982. As a result of the Reconciliation process, $1.5 billion has been cut from Medicare by among other things increasing Medicare deductions and reducing reimbursements to hospitals and home health agencies. Aid to Families with Dependent Children has been cut by $1 billion affecting some 659,000 families who will lose all or some of their current benefits. The School Lunch program has been cut by $1.4 billion, resulting in increased costs for children of working poor and middle income homes. While the President failed to define Special Services for the Aged, it is clear that programs critical to many older citizens such as Medicare, low-income energy assistance, housing, and food stamps all have suffered substantial cuts.

These are but a few of the $140 billion in social spending cuts which will be implemented over the next three years in the President's quest for a balanced budget, cuts which the President has already admitted will be insufficient to achieve the fiscal goals he has put forth. It seems clear that this Administration in an effort to alleviate what the President called in his February budget message to Congress and the Nation "the grievous economic plight of our people" has exchanged minor budgetary deficits for major deficits which have been brought on by his $750 billion five year tax cut coupled with an increase over the same period of time of $1.5 trillion in defense spending.

These hearings will concentrate on the real human impact of cuts in the Aid to Dependent Children program, Medicaid, and Title XX Social Services. We are seeking to learn what work disincentives have resulted from the wholesale changes in Federal laws and regulations which have been enacted. Who exactly it is that no longer will be able to turn to government for needed medical services, day care, senior centers, counseling and so forth; and how this affects their lives during a period of economic stagnation. We will also seek to learn whether any of the private sector self help groups the President would so like to believe will take up the slack created are, in fact, stepping in to do the job that the government once did.

Chairman **Ford**. Thank you very much, Mr. Rangel.

At this time, the Chair will recognize Mr. Waxman, chairman of the Health and Environment Subcommittee of the Committee on Energy and Commerce.

Mr. **Waxman**. Thank you very much, Mr. Chairman.

I, too, am delighted to be here with my colleagues in the city of Memphis to learn firsthand from your Governor and from other witnesses about the impact of the budget cuts.

As the chairman of the committee that deals primarily with health issues, I wanted to find out the impact of these cuts in Tennessee and surrounding States on the medicaid program.

For 15 years, medicaid has been one of our most successful health programs. It assures that the neediest segment of society has access to quality health care services.

Earlier this year, the Reagan administration placed medicaid under sharp attack. They said the Federal Government could no longer afford to provide health care to the poor.

While the Congress wisely rejected the administration's more radical cost-saving proposals, significant changes were, in fact, made. I believe many of these changes were ill-timed and their impact misplaced.

Combined with the Federal cutbacks in AFDC, many truly needy individuals, including thousands of poor women and children, may lose critically needed medical benefits in the coming year.

In view of the serious fiscal crisis in which many State governments have recently found themselves, I believe it is unrealistic to expect States to increase their financial contribution to these programs.

The reality, then, for many poor Americans would be to make an impossible choice: to choose between food on the table or medical care for their children.

These recent changes were enacted in great haste without conscience or deliberative debate. Scant consideration was given to the interrelationships between health and welfare programs or the way recent changes would impact on recipients and providers of services.

Little attention was given to the disincentives which would result in denying the working poor health care as a penalty for their efforts to lift themselves and their families out of poverty.

The result of these changes in the law was a patchwork of benefit reductions designed to reduce the high cost of medicaid, with very little to address the underlying causes for rapidly rising costs of health care nationwide.

Responsibility for the Nation's skyrocketing health care cost does not lie with the medicaid program or the 23 million recipients. To penalize the beneficiaries of medicaid for the Federal Government's unwillingness to challenge the real source of health inflation reflects an insensitive social policy and an economic recovery strategy which I believe is doomed to failure.

When we created medicaid in 1965, we promised that those most in need would not be denied access to health care due to their inability to pay.

I continue to believe in that promise. I continue to believe that access to quality health care is a right, not a privilege to be reserved for those who are wealthy.

Unless the Federal Government reasserts itself to assume greater financial responsibility for medicaid, I fear we may in effect be reneging upon this social covenant.

In a nation that can provide billions of dollars for defense and billions of dollars for tax credits for the rich, the denial of needed health care services to the poor is disgraceful.

Through today's field hearings and others that follow, we can assess firsthand the impact of the administration's domestic policy.

The record developed today will help us in Washington to answer those who would forget the less fortunate.

Mr. Chairman, I want to commend you for calling this hearing and bringing together the various committees that look at the health and welfare programs the Federal Government is involved with. I hope that we can transmit what we learn here today to our colleagues in Washington.

Chairman **Ford**. Thank you very much, Mr. Waxman.

At this time, the Chair will recognize Mr. Bailey from Pennsylvania, a member of the full Committee on Ways and Means, and a member of the Subcommittee on Public Assistance and Unemployment Compensation.

Mr. Bailey.

Mr. **Bailey**. Thank you, Mr. Chairman.

I will be brief. Basically I have come here for two reasons. First of all, the process by which the second budget resolution, the so-called Reconciliation Act, was passed, was a very unfair process. The resolution was enacted without being closely examined.

Committee evaluations were not given on the spending priorities and decisions made by Gramm-Latta, which was a Reconciliation Act decision.

The result was a process that really didn't take into account the relationships between State and Federal Government that it should have.

The philosophic shift that was involved in the Administration's program simply appears to be a shifting of administrative and resource allocation decisions from the Federal to the State level.

The real difficulty with what was involved is that there was not sufficient attention paid to the difficulties the States have with their tax bases and the impact of national factors, unemployment and human resources, the values that we, as a people, have as a society.

The second reason why I came is out of respect to you, Mr. Chairman. I think it is worthy of note that when the decision was made in the Ways and Means Committee to elect you as subcommittee chairman, it was a unanimous choice and after being in your fair city for a short while and talking to everyone from taxi drivers to citizens in the street, I would have to say that you are obviously doing just as good a job here.

It is an honor to be with you.

Thank you.

Chairman FORD. Thank you very much, Mr. Bailey. And we would like to also welcome the newest member of the Public Assistance and Unemployment Compensation Subcommittee, Congressman Beryl Anthony, who is a neighbor of ours in the State of Arkansas, and represents the Pine Bluff area.

He was running a few minutes late, he just flew in from Washington. We are delighted to have you with us today, Congressman Anthony, and at this time I will yield to you for any remarks you might care to make.

Mr. ANTHONY. Thank you very much, Mr. Chairman.

Since I am the newest member, I guess I am here out of curiosity. Actually when you take a look at the new federalism and the shift of authority from the Federal Government to the State governments and whether or not we are also shifting the revenue mechanism to offset the budget cuts that are being made along with that new trend in the shift, I am here primarily to learn from witnesses from the State of Arkansas and also my neighboring States what is the effect of the cuts.

How are the States and localities going to adjust and exactly what does the new federalism mean.

Does the new federalism mean that we are going to do less with less or does it mean that we are going to try to do the same with less in actually shifting more of these responsibilities to the States.

I have some fairly piercing questions that I will be asking some of the Arkansas witnesses, so I guess, Mr. Chairman, I will just forewarn them before they get in the chair that I have done some background research and I hope they can provide for the record some very meaningful answers so that we will know what to do when we get back to Washington, D.C.

I just want to say that I am glad to be here and I am proud to be serving on your subcommittee.

Chairman FORD. Thank you very much, Mr. Anthony.

Our first witness is the Honorable Lamar Alexander, the Governor of the State of Tennessee, who is accompanied by Ms. Sammie Lynn Puett, commissioner of human services for the State of Tennessee and Dr. Eugene W. Fowinkle, the commissioner of public health.

At this time, the Chair will recognize the Governor of the State of Tennessee, Lamar Alexander.

STATEMENT OF HON. LAMAR ALEXANDER, GOVERNOR, STATE OF TENNESSEE

Governor ALEXANDER. Thank you, Congressman Ford.

I am here for several reasons; first to welcome the committee, not the chairman, he is from here to begin with, but to welcome all of you and particularly to let you know how proud we are to have three chairmen of three related subcommittees.

That is a very important way, if I might suggest, for you to do business, because a lot of these problems will cross lines and Washington is organized along lines lots of times and they don't have too much to do with the way things actually come out by the time they get to the person who gets the service.

And to see three chairmen at once out of Washington in the field making statements and asking questions is a reassuring sight, one which we welcome and we are very proud of the fact that you chose Memphis and Tennessee as the place to begin your hearings.

We are especially proud of the fact that Harold Ford is chairman of one of the most important of these subcommittees. I am here because of him, because I am used to working with Congressman Ford.

We come from different parts of the State and different backgrounds and different parties and often disagree, but I have found that I am often able to work side by side with Congressman Ford, whether it is on support for the Voting Rights Act in Washington or whether it is one of a number of other things.

I find his inquiries to be constructive and helpful as a general rule and I knew that this hearing would be and therefore, I am glad to be here and welcome the opportunity to have a chance to present a few thoughts and then try to answer questions.

I have with me the heads of the State agencies that have to do with the three programs you mentioned; Dr. Eugene Fowinkle, on my left, has been head of our department of public health, which supervises and runs our medicaid program, ever since the medicaid program began.

It began in 1969, it was a $30 million program when it began, it is nearly a half billion dollar program today. It has been the most rapidly growing program that the State government has ever had anything to do with or ever wants anything to do with.

Commissioner Sammie Lynn Puett, on my right, is commissioner of the department of human services. She is in charge of our efforts to administer the money you give us under the Federal title XX block grant, as well as the AFDC program.

Just to summarize for a moment, let me make sure that you understand where I am coming from. I am perfectly satisfied to be the Governor of Tennessee and administer about $4 billion in money every year, about a billion of that comes from the Federal Government through our State budget, we have about 40,000 employees. I don't try—some Governors might—to also be in charge of the football teams and Tennessee Valley Authority, and I don't pretend to be in charge of the U.S. Congress.

You have got your decisions to make and I have mine. So I hope you don't regard me as presumptuous in anything that I say. I understand and respect your decisions but I do welcome the chance to be invited to discuss these things with you.

Now let me summarize before I begin, if there were one idea that I would like to leave with you which is in the nature of advice based on our experience so far with Washington appears to be trying to do, it would be that we understand the need to reduce the growth of spending in the Federal Government, those of us who aren't there.

I think that is widely shared by most people, certainly by most governors. And we are willing to work with you and support what you are trying to do and to criticize it where it is helpful.

But it looks to me like the best next tack to take in Washington, if you have to limit the growth in Federal spending to a lower growth than it is today, is to go it across the board.

I believe I would set aside what you need for national defense and argue about that and decide it. And then I would limit the growth in all of the other programs to whatever you thought it ought to be and let the whole range of governments and recipients and everybody work with about the same problems.

You thrash through—whether it is too quick or not, that is your decision to make—a number of cuts.

But every one of the programs that you set up was set up to do some good, all of it serves the people, not Governors or Congressmen, and to the extent you need to reduce spending in the future, I would suggest you consider doing that. If you need another $7 billion in reduction in the growth of spending, you can do that by limiting your growth by 1 percent.

I am going to be specific in my comments and in terms of what effect the Federal actions have had, so far as we can tell, on the three programs that you mentioned; title XX, medicaid, and AFDC.

Of course, not a single appropriation bill has been passed yet for our fiscal year which began last July, so we are halfway through the year before we know finally what will happen.

But we have learned to live with that and we can deal with it. The further on closer it gets to the person who is actually receiving the service paid for by the Federal dollars, the more difficult it is to live with.

Let me start out with an overall goal. My guess about what an overall goal ought to be in government, I think it is true in Tennessee and in Memphis, is that we ought to try to have a society where the largest number of people have a chance to be as independent as possible, so they can provide for themselves adequately and then for their neighbors. At the same time, that society hopefully will make us rich enough as a people so that the Government itself can provide a floor or a safety net to help support those people who are less independent, who are dependent, who are less able to take care of themselves.

Now as a general rule, the Federal Government, except for national defense, has almost exclusively concerned itself with those people who are more dependent. The State governments, as a general rule, spend most of their money and time and effort on people who are trying to make people more independent.

Those objectives do not conflict at all; in fact, they are absolutely essential. As we look at Memphis, for example, we have a great city here, but we have the poorest black population in a large urban area in America, or close to that fact.

We have a disproportionate number of our food stamp, AFDC, medicaid recipients here.

Memphis has a little less than one out of five of the people of the State, but it probably has a third of the AFDC cases, as an example.

Now no one would suggest for a minute, and I certainly would not, that we ought to cease our efforts to provide a level of subsistence for those people who are less independent, who can't help themselves as much, but at the same time, the State government spends 49 cents out of every dollar on public education, which we believe is an effort to help everyone, especially low-income people, lift themselves out of that circumstance.

We spend a lot of money on roads, which is essential for economic development, and economic development is raising family income. That is all it amounts to. So most of our expenditures are in that direction.

There are other differences that we have. One difference is that we are generally closer to home. By that, I meant that Governors and local officials are, by the nature of our jobs, here more often.

Now you are here today and that takes an extraordinary effort on your part to hold hearings and make decisions outside of Washington. You are here a lot, you hear from people, but we are here every day making decisions. Let me be careful to say that is not a criticism, that is a fact.

Congressional decisions are made by and large in Washington, mayors and local officials make their decisions here.

Second, we are mainly administrators, except for the local legislators, and you are policysetters. We have to follow your policies, we carry out your wishes. At least that is true if we do our job.

Third, we have different concerns, as I first mentioned. We focus more of our concerns in the States on jobs, education, roads, and technical training and you focus more of yours on income transfers and national defense.

In fact, if you will look at the national budget, more than three-fourths of all the dollars you spend have to do with transferring money from people who have it to people who don't, providing national defense, and most of the rest goes to pay the national debt.

The last difference between us is we don't spend as much as you do. Now again, that is not said in an argumentative tone, perhaps we should spend more and perhaps you are spending as much as you should, but it is very difficult to grasp what we are talking about unless we talk about our relative levels of spending.

I spend a good deal of time with my cabinet members trying to remind them how much money the people of Tennessee have or don't have in their family pocketbooks so that we can make intelligent decisions about social policies.

I will give you an example which may or may not surprise you. There are 60 million families in the United States and about 2 percent of them or 1.2 million are in Tennessee. Each Tennessee family's share of the Federal budget expenditure last year was $11,000.

Now each Tennessee family could not afford to spend that much, but if you divide the families into Federal spending, it is $11,000.

Divide the Tennessee families into State spending, it is $2,200 per year. If you divide the families into local spending, it is $1,900 a year. So the total tax bill of each Tennessee family, if you divide all the government spending into all the families, is $15,100 a year.

The important thing about that is not how much it is, the important thing is to make sure that Governors and congressional chairmen and others understand how much more you spend than we do, how much more you preempt the tax resources.

It is not to argue the point, it is simply to say that when we are talking about changes at the Federal level, it is important to realize that the Federal share is $11,000 and the State and local combined is a little over $4,000.

That is true in Tennessee, we are a low-income and low-tax State but it is true nationally, too. The Census Bureau reported that 61 percent of all the taxes are collected by Washington, 24 percent by the States and 15 percent by local governments.

Let's go on to debt for just a minute. The State debt in Tennessee is $617 a family. Now all of the financial people tell us that we are only at about midpoint in terms of our ability to pay that back in Tennessee, and as a result we have reduced the State debt by 9 percent over the last 3 years because when you have a good ability to pay it back, you get a higher bond rating and you borrow money at a cheaper rate.

So the State debt is $617 a family. Each Tennessee family shares a Federal debt of $16,600. It is 26 times what each family's share of the State debt is.

Now I don't know why in the world each Tennessee family is more able to pay back $16,000 in Federal debt than it is $617 of State debt, maybe there is a good reason for that, I don't know what it is.

Basically in Tennessee, we grow about 6 or 7 percent a year in our spending. We have reduced our debt over 3 years by 9 percent and we have reduced the number of State employees by 6 percent the last 3 years to try to save money so we can spend it on, primarily, education.

Let's put it another way, for purposes of discussing social services programs as we are today. You spend one-half of your budget on basically income transfers, income distribution or about $5,500 per family.

That is two and a half times as much every year as the State spends on everything per family, and we have all the responsibility for higher education, except for student loans and grants and research grants.

We have most of the responsibility for State public elementary education, corrections, mental health, public health, and some other things.

I frankly continue to be astonished by the amount of money spent in Washington, but that doesn't bother me because I think by and large we are a rich country and we ought to be able to take a substantial part of what we earn as a country and take it from those who have it and give more of it to those who don't, as long as it doesn't interfere with our entire economy and the ability of those who don't to become more independent and able to provide for themselves.

Tennessee, for example, we are the beneficiaries of Federal policies. One out of six families in Tennessee is on food stamps. That means $28 million a month goes into food stamps. That is not being affected substantially by the changes we have seen.

I guess that is a long way of saying that I understand, and I think most Governors do, why the Federal Congress and the President have to reduce the growth in Federal spending and we will not complain about it, we will want to be helpful in whatever way you decide you want to cut those dollars, and we will even be glad to suggest priorities if you think that is our business.

We understand that whenever you reduce growth in spending our programs and people who were getting services don't get them anymore which is one area you want to inquire about, and the other thing, it leaves in the pockets of Tennessee taxpayers dollars which they can spend for themselves.

It is in effect an income transfer from those people who don't have it to some who do.

Now, when we talk about those who do, I want to tell you who those people are in Tennessee. These are the taxpayers. The taxpayers in Tennessee are these people, one out of four families in Tennessee makes less than $10,000 a year. Those people pay taxes in Tennessee. We don't have an income tax in our State so they pay their share of it, and many of them pay Federal taxes too. One out of two families in Tennessee makes less than $17,000 and we are getting into the middle income people. They pay most of the taxes so when Congress decides to leave more money in the pockets of the people of Tennessee, those are the people you are leaving money in their pockets, at least in our State, 8 percent of the families in Tennessee make less than $30,000 and only 4 percent make over $50,000 a year. Again, I think it's important when we are talking about poor people and transferring money from one group of people to other people, to realize who the transferors are and who the transferees are because the people who pay the taxes are the people that I just mentioned. They are not, in Tennessee in any event, living very high off the hog.

Now that is to show that I understand why there may need to be some cuts. If we are to be involved in the cuts of what are essentially Federal programs, here are very quickly some things that I hope you will consider keeping in mind.

(1) You can't cut States. Often the press writes "the States were cut and the Governors are mad." We are not cut, my salary is not cut, my family is not cut by a Washington decision, people are cut. So, if the decision is made to reduce services, if you cut a program that the States help to administer and it may be, let's say in title XX involve a daycare center, it involves people. If you refuse to cut a program that involves twice a year cost of living payment for Federal retired employees, that involves people too. It is your choice, it is your cut. Both involve people.

That is why I suggested at this point you may wish to consider seriously taking the one-half of the Federal budget that has to do with taking money from one group of people and giving it to another and let there just be an across the board reduction in the program of spending, add defense in too if that is the wish of the Congress and let it just be across the board. You can do it for everything I guess except the national debt.

(2) We have to administer what we do—what you do. We have to administer what we do and what you do, insofar as the $1 billion out of the $4 billion in our State budget that comes from Washing-

ton. So, cuts in the middle of the year are pretty hard to take. It's hard enough to take appropriations bills that are signed in January or February which are the seventh and eighth months of our year of administration. That's why I wrote a letter to Congressman Ford and other Members of Congress and suggested that the second round of the President's proposals was very difficult for us to take, because it came in the middle of the year, if for no other reason. I cited local revenue sharing and title XX cuts as the two areas that would be the hardest to take because local revenue sharing has now become something that many communities rely on for operating expenses and title XX cuts are difficult enough to take, especially in the middle of the year after we have just gone through a program of reducing those. So, anything you can do to make these decisions earlier insofar as they relate to State and local governments will be a big help.

(3) Cutting back is the time for more, not less, flexibility. There is a lot of talk about block grants. Mr. Anthony talked about the transfer of responsibility from Federal to State government. That hasn't happened yet. There has been a lot of talk about it but it hasn't happened yet. The President's administration has done it pretty well within the regulatory authority, but Congress has not. The Congress only passed one block grant last year out of all that huffing and puffing that we heard about. That is working very well, it is the community development block grant which in Tennessee brings $26 to $30 million a year in spending into the smallest communities and then there is an entitlement provision for the big cities like Memphis. We don't touch that, that is all right with us, you decide what that ought to be. But the people who work for you in Washington, not yourselves, wrote 2,600 pages of regulations about that community development block grant. Those are out now and that has been given to the States. What we have done is conducted a series of hearings all across the State and asked local governments what to do with this. We are going to transfer that decisionmaking on down to the locally elected State officials as quickly as possible. I think you will be proud of the way that works, that you won't have any hesitancy to spend more money for it or some money for it in the future because of another point. I think you will discover that we locally elected officials or State elected officials may be more responsive to you than the people who work in Washington on a career basis. The reason is we are elected by the same people who elect you. That wasn't always the case, but it is today after reapportionment and if the Voting Rights Act is extended. That's why I so strongly supported extension of the Voting Rights Act. I didn't think it was right to talk about transfer of more responsibility from the Federal to the State and local governments unless you can be sure that each vote counted as much in the election of a Governor or a local mayor as it does in the election of a Congressman.

Now, other examples of flexibility. The Federal Government pays 8 to 10 percent of the bill for elementary and secondary education. It also gives us about 50 percent of the rules as a result of that. If we didn't have the rules, we would have in Tennessee, if we divide the teachers into the students, we would have about one teacher for every 17 to 18 students. That's an awfully good ratio. But because of Federal rules and regulations, we can't have that flexibility, we must do it a particular way and we end up with some groups of people with a few students in a classroom and some in another. It's a decision made in Washington, not by the Congress, but by the agencies.

Another one, and this is a controversial area but it needs to be said and we can talk about it in another forum or today. The Federal courts, through their busing orders in the big cities, have interfered with the flexibility that local school districts need to spend their dollars to help poor people educate themselves to improve their lot. In this city there's $186 million school budget, $2,000 per student, spending $5 million busing young black children from one 75 percent black school to another 75 percent black school. There is thoughtful reexamination in the black as well as the white community in Memphis about whether that money might not be better used in terms of basic education in the early grades or working with programs such as the one that Congressman Ford and I are working with in six schools here in Memphis, to try to help high school students get jobs. That's thoughtful reexamination.

Medicaid flexibility, a subject you are talking about today. There are two things which Dr. Fowinkle will talk about later which will be a big help to us, would make it not as necessary for people to be just cut off the rolls. One would be to permit us to charge copayments to people who receive services, they pay 50 cents, the Government pays the rest. Every medicaid administrator I know of, every Governor I know of, believes we can make more of the money go to more needy people if you will permit us to charge a copayment, a little bit, to give some personal responsibility to each one of these. We can't now by law. Second, we believe you ought to permit us, which we cannot now do by law, to have what they call in government family supplementation. That means that relatives in families who can afford it can help pay for nursing home care. Now they can't. It's an extremely expensive program, it only goes to 15 or 20 percent of the people who need nursing care, we will never be able to afford, through government, to care for the rest of them and family supplementation would be something that would help us a lot, if people who can afford it pay for these services so that people who can't afford it get more of the money.

I guess my point in flexibility is that it's like medical school admissions. People come to me a lot and want me to get involved with admitting students to our medical school here or at East Tennessee State University. I don't. I know a lot of people I think ought to be admitted, but every time I would put one in, I would kick somebody out and I don't know that person. It's the law of unintended consequences. My plea would be, as you are cutting back, think of us as people elected by the same people who are elected by you and we can make these decisions and then you can have these oversight hearings and if you want us all there, I will personally help you get all the Governors there, in Washington or here or wherever it's convenient, and we will be accountable to you if you want us to help spend this Federal money. We don't mind that, but we do mind having to do it without any flexibility.

You are not studying the food stamp program today but we would like to talk to you about that. It is all your money and you can take it over and run it if you would like to, it's all your money, every bit of it, $28 million a month, $360 million a year. But if we are going to run it, we have got to have some discretion in the way we do it. You couldn't run your office with somebody in Tennessee telling you how to dot every i and cross every t.

Now I am about through. This may take a little longer than you want, but you invited me and I hope this is in some degree constructive and helpful.

I hope you will look for ways to sort out the Federal system. I believe, and it is the policy of the National Governor's Administration, that it is proper for the Federal Government to have income distribution programs, all of them. Medicaid, all of it. Right now in Tennessee, it's about 70 percent Federal, 30 percent State. AFDC, have it all, you're already paying 70 percent of it, 30 percent State. Food stamps, you have got that all now. Medicaid, I think I mentioned that is 70–30, it is already yours. Title XX, as far as Tennessee goes, we are basically administering a block grant for you, it's your program, you decide how much goes in it. We are glad to work with you in that but it is 75–25 title XX.

In exchange, give us all the responsibility for elementary and secondary education. Maybe you have good ideas about elementary and secondary education, but we feel like the principals and the teachers here can make those judgments just as well. Give us all the responsibility for economic and community development, give us more of the responsibility for roads. That way, the taxpayers can decide who is accountable. Now, I have proposed an even more specific thing. You take all or part of medicaid and we will take all or most of elementary and secondary education. When we get down to specifics, it's hard to get all the Governors to agree on that and it would be with all the Congressmen because it cuts one way in one State and another in another. But the idea is sound.

Finally, I want you to be aware, especially those of you who have taken the time to be here, that you don't need to be so worried, well, you need to understand, if I may say it this way, that when you give money to State governments, you're giving it to the city.

I'll give you some facts on that. We have four big cities in Tennessee: Memphis, Nashville, Chattanooga, and Knoxville. They have 40 percent of the people; they get 47 percent of the State tax dollars.

In other words, if you give us a big chunk of money like revenue sharing, in our State anyway, the cities will get more of it than their per capita, than their population would indicate. In fact, about half of all the money we take in in State government is just turned right back over to the cities, primarily in big block grants for education and for transportation.

My summary would be this: In specifics, title XX, we had $57 million last year; that's being reduced by 18 percent this year; that's about $10 million less, 75-25 Federal, you're involved in 75 percent.

Medicaid, it's a $478 million program this year. It has grown faster than any program in State government for the last 12 years. We are doing everything we can to try to keep the costs under control and we are trying to do more.

Under the proposals that you have implemented it will grow only at about 7 or 8 percent in the year we're now in, which is the rate which everything else grows in government. From the taxpayers' point of view, we can't afford more than that or we will have to start taking it out of things, like education.

AFDC in Tennessee is a $90 million program; it's being reduced by $12 million, which is a 15-percent reduction. That's a 70-percent Federal, 30-percent local program.

Food stamps is by far, except for medicaid, the biggest program, makes the most difference. So far as we can tell, it is not being substantially affected. One out of six households in Tennessee qualifies for food stamps.

I hope you consider the suggestion I made. You might gain a lot of public support in Congress if you said, well, if we have to reduce our spending to this level over the next little while, then let's just let the burden fall evenly across the people, or let the burden fall evenly across the people who get the government services, however you say it, but I think across-the-board cuts might make more sense at this point and gain more public support than any other way you could do it.

I will be glad to try to answer your questions or respond to your comments. I would welcome your advice.

Chairman **Ford**. Thank you very much, Governor Alexander.

I want to say for the record that your concern about teenage unemployment has been one that we're all proud of, Governor.

Your ability to bring people together in this State, for example in the job conference recently held here in our city, is something for which I want to publicly commend you.

Governor, I am concerned about a statement you made earlier in talking about across-the-board cuts in the Federal budget.

I received a letter from you on October 7 in which you expressed your deep concerns about the impact of budget cuts in some areas. Also, earlier in your statement, I think you referred to concerns regarding the title XX social services block grant, child day care, adoption services as well as foster care and child abuse services.

In your October letter you indicated that Tennessee cannot bear such additional reductions in these programs, but yet you make mention of across-the-board cuts, if we are going to have to further cut the Federal budget.

Governor **Alexander**. That's right, Mr. Chairman.

My letter was about the second round of cuts. It was clear to me that if any such further reductions in title XX and local revenue sharing specifically, and title XX money is spent, as you indicated for day care centers, foster care and other things; if those were to be enacted by Congress it would be later in the year and we would almost be finished with our fiscal year. And, as administrators of your program, it would be very difficult for us to go back to day care centers and say, you've spent too much.

Also, I do think that you have tended to concentrate reductions in the growth of Federal spending almost entirely in a few areas like title XX. I am not saying you, let's just say the Congress, and AFDC, and you have not looked at the entire Federal budget.

It's Congress' decision; Congress has the sole and exclusive power to decide how much money to spend, but I am saying I can understand if you have got a debt that's 26 times higher per family than ours is why you might not be able to spend so much in the future and that rather than put so much of it on title XX and AFDC, you might want to spread it across all of the programs, that would include the farm programs, veterans programs, whatever else the Federal Government is involved in.

That is correct, but my letter was primarily directed to the concentration of cuts in those programs and the timing of those cuts.

Chairman **Ford**. But I am not clear on the across-the-board cuts which you are advocating at this point. The latest proposal by the administration is a 12-percent reduction in spending across the board. You do not support the 12 percent across-the-board cut that has been proposed by the President; is that correct?

Governor **Alexander**. No, I don't. I hope you find some other way to do it, and it's not up to me to find it, but my suggestion is, you have a $700 billion budget in Washington, you spend half of that in income transfer payments, you take from people who have it and give to people who don't; you spend one-fourth of that on national defense and you spend most of the rest paying interest on the debt.

I am suggesting you just go across that entire budget and if the judgment of Congress is it wants to spend more money, I won't worry about that until I get to Congress, which I don't plan to run for.

That's your decision, not mine. But if you've got to make some cuts, I'd spread them out more than I would concentrating them on title XX and medicaid.

It's hard for me to imagine why—and I use a specific example, which is your business, not mine again—but why closing a day care center is a higher priority than spreading out a cost-of-living twice a year payment for a retired Federal employee. Both involve people.

I would be more reluctant to close the day care center and move toward once a year cost of living increases for Federal employees, if you're tight on money in Washington, which I gather there is some disagreement about.

Chairman **Ford**. As a result of the initial budget cuts, Governor—and this is my final question—you estimate that Tennessee will lose approximately, according to your letter dated October 7, $119.3 million.

Can you tell us some of the programs that will be eliminated because of the $119.3 million loss in Federal funds due to the budget cuts?

Governor **Alexander**. Yes, I can; and Commissioner Fowinkle can tell you more, and I'll be glad to give you a list of those. I don't have them with me at the moment, but title XX is reduced by $10 million; AFDC is reduced by $12 million.

The major reductions would be in transportation expenses—let me give these to you—let me ask them to give those to you, and we'll give you an exact list of what they are.

Chairman **Ford**. That will be fine.

[The information was not supplied]

Chairman **Ford**. Governor, could you also tell us how many families will be affected?

Governor **Alexander**. We'll be glad to do that, Congressman, and we'll give you an estimate of the amount of low-income families in the State who will have tax money left in their pockets to spend for themselves as a result of lower Federal taxes.

Chairman **Ford**. Also, any programs that the State might be able to absorb, and if so, from what source the money will be generated.

[The information was not supplied.]

Governor **Alexander**. That's right, and let me just give a general answer to that point.

We don't expect, as a general rule, to pick up the programs that you cut back. We don't have the money to do that when you consider that already the Federal Government over the last 40 years has basically preempted the role of social services and income transfer programs, which I think is appropriate and a good role.

So I think that's a national decision, if there is a cutback in Federal income transfer programs, it is my opinion and it is that of the Democratic leaders in the legislature too, that we will continue to concentrate our resources on public education, on transportation, on prevention of mental retardation, corrections, other State functions, and for your planning purposes, we don't expect to pick up those functions.

Chairman **Ford**. We have talked about people, Governor. I'm just concerned about how many people and how many families are going to be affected by the budget cuts.

What's going to happen to those people here in this State and other States throughout this country?

At this time, the Chair will recognize the chairman of the Oversight Committee on Ways and Means, Mr. Rangel.

Mr. **Rangel**. Thank you, Mr. Chairman.

Governor, let me at the outset once again thank you for your appearance. I think that by coming here you have demonstrated to the people of Tennessee your concern about the decisions that are taking place in Congress.

You go to great lengths, however, to point out that these are our decisions and your willingness, with flexibility, to administer these congressional decisions.

And in looking over the obligations that your State legislature has given to you and the Department of Human Services, it says that you're supposed to, one, "extend protection to children and adults who are harmed or threatened with harm" and, two, "to supplement and support efforts of the family to manage during a crisis."

Now, clearly the families in Tennessee, certain families, are going through a crisis and it appears to me that your willingness to accept what we decide without placing yourself in a position to ask for more assistance so that you can fulfill your responsibilities on the State level, leave us in the position in Washington, and I'm not prepared to accept your position, simply to decide how we're going to cut, not if we're going to cut.

And when you talk about giving flexibility to Governors, or to State legislators, or to the local taxpayers, as opposed to Federal involvement in entitlements and setting the standards, you are not dealing with the most popular recipients or beneficiaries that we have in the State or Nation.

I mean middle-income people are nice people, but they don't like paying for the problems of poor folks in Tennessee or in New York.

And I just wonder, Governor, if you take a look at what middle-income people have felt about the poor in Tennessee in terms of their minimum benefits, it's my understanding, and I do hope that I am wrong, that you haven't changed the minimum benefit levels since 1969. And that even when we reach what the good people of Tennessee have decided is fair and equitable for a family to live on, for a family of four, $217, you receive 68 percent of that from the Federal Government as your partner.

In other words, what I am asking, Governor, are you prepared to let the transferrers decide what's best for the poor people in the State of Tennessee?

Wouldn't you like to see a minimum standard with your government, our government, sharing that fiscal responsibility?

Governor **Alexander**. Well, Mr. Chairman, I said earlier that I would prefer to see the National Government take over all the income distribution progams so that we can make a national decision every year, out in the open, through the democratic process with reapportionment and Voting Rights Act guaranteeing the vote and poor people having as much say as middle income people about how much of what we make should be taken from those who have it and share with those who don't.

Right now the national decision is that we take half of all the federally collected tax dollars and do that with it, and you know, we might argue about whether that's too much or not enough or could be more, but I think that's an appropriate process.

We'll be glad to help with it, but you know, every level of government shouldn't try to do everything, it seems to me. We can't spend all the money on welfare and none of it on education.

You know, I don't try to tell you what to do about national defense. At the same time, I think it's very difficult for you to guess what might be the best curriculum in the third grade classroom in a little town in Tennessee.

Mr. **Rangel**. Well, with your broad responsibilities, I was really trying to target in on that responsibility you have to take care of the helpless in the State of Tennessee. And as it relates to that specific issue, our administration is telling us that we'd like to give you more responsibility.

I submit that if you've done the best with what you've had to work with during so-called good times, I'm scared to death as to what you're going to do during this period of crisis, especially when the chairman now suggests that we're cutting back across the board.

I don't see where there's anything left for people on welfare in the State of Tennessee.

Governor **Alexander**. Well, Mr. Rangel——

Mr. **Rangel**. And again, Governor, you know, being fair about cuts across the board really doesn't count when some people are below the level of fairness already.

I mean I wouldn't mind if you and I were included, it wouldn't hurt us, our families, but I don't see where we can go here and have you fulfill your responsibilities to support the efforts of the families to manage during a crisis. And if you're waiting for the

Federal Government to respond, then the Federal Government's suggestion is that if we have 8½ million people unemployed, we should have an increase in taxes and cut further in domestic services.

That's your Government's response. Are you going to accept it? That's what they said; it's in this morning's paper. That's the Government's response to "recession for some, and depression for others," but Schweiker wants to cut some more.

Governor **Alexander**. Mr. Rangel, I would like to respond to that, if I may.

It's your decision in Washington about whether you believe that taxes ought to be increased and more money ought to be collected by the Federal Government.

Washington Government costs, spread out among Tennessee families, is $11,000 per family every year, and the national debt is $16,600 for every Tennessee family every year. If there is more money to spend in Washington, I am sure it would help in the income transfer position of many families here.

We are a relatively poor State, but I think for the foreseeable future, we'll continue to spend our money in Tennessee first on public education at about the rate we do now, which is 49 cents out of every tax dollar, and I think that's an appropriate level of responsibility.

One of us ought to take the income transfer responsibility, one of us ought to focus on elementary and secondary education. We need to sort out the primary responsibilities.

Mr. **Rangel**. Governor, let me again thank you for——

Governor **Alexander**. And it's not I who set these, it's the State Legislature and they're elected by the taxpayers——

Mr. **Rangel**. I want to thank you for coming here this morning. I think what you are saying and what I am trying to say is that there are a substantial number of people in the country that can't effectively lobby their case in your State Capitol or in Washington.

And the bottom line is that whatever we decide in Washington, you will accept, and do the best you can with. But you are not in any position to close the gap or to do anything except what we are mandating you to do in Congress. Then we will again have to have more of these types of hearings to learn from the people, because I just don't expect Governors who will be assuming more and more of the responsibility of taking care of the poor to say that they will just do what we mandate.

I would like to believe that your responsibilities as a Governor are not just to wait and see what we do, but to assist in creating the climate to see that we do it right.

And if you are waiting for this administration to respond to the needs created by all of these cuts in your title XX program, and if you are prepared——

Governor **Alexander**. Those are your cuts, Mr. Rangel; they came from Washington, none from the State.

Mr. **Rangel**. Well, I admit that, but the fact that the State says that you are prepared to accept what we do, we are trying to build a record here today to see whether or not we can create an atmosphere where we are more sensitive on cutting back in Federal spending and not concentrate in the areas which obviously the Federal Government has.

And then when we talk about across the board, it would seem to me that a lot of people were not making the same type of sacrifices as we cut back in Federal budgets when we passed that Omnibus Reconciliation Act. Some people aren't even inconvenienced by the budget cuts. And to come back and say we're going to cut across the board when we have crippled some people and inconvenienced others, to me is just not equitable.

In any event, I do recognize you are doing the best you can and we will be trying to bring you more assistance in this area.

Governor Alexander. Well, Mr. Rangel, I appreciate your comment, but I can't let that go by.

If you want my program for what you ought to do in Congress, I'll be glad to give it to you.

I think you ought to increase spending at the rate of 6 to 7 percent a year;

I think you ought to reduce regulation on businesses and individuals around the States so they can be more productive;

I think you ought to sort out programs between local, State, and Federal governments so that you have one clear responsibility, I have another, and mayors and others have another.

Then I think you ought to give more flexibility to the governments that have anything to do with that, and I have suggested ways that you can do that:

In the food stamp program in terms of specific flexibility, in the medicaid program, we could have done a better job giving more money to needy people if the Congress had given us the ability to charge more of the cost to people who could afford it, but you were afraid to do that or someone was.

I have made specific suggestions in that area.

Those are some of the things I would do.

We are able to implement programs here at $1,000 per person in the high school area, find jobs for poor young blacks, largely black children in this area at a cost of $1,000 per year per student at a time when CETA programs are $4,000, $6,000, $8,000 per person.

So I understand that you and I might disagree on what the level of Federal spending ought to be, and I really don't think that is the focus of the discussion.

Let's assume you just pick a level and decide what you are going to do with it. After we have had that discussion, what we want to do is make sure that we spend the money in the most effective way to help the neediest people and the suggestions I have made are to try to give us some more flexibility to do that.

Mr. Rangel. And I just have to accept, as I close, that in weighing all of the priorities of the State that you have found maintaining the 1969 level of funding for a family of four at $217 is the best. Is this, after weighing all the priorities, what you think the most equitable way to distribute wealth?

Governor Alexander. Well, that is, if understood properly, the AFDC payments for State government have grown since I have been Governor at about the rate that the rest of State government has grown, which is about $15—the amount of money, State tax dollars we spend on AFDC is about—I have it here somewhere, it's about $15 to $20—well, I don't have it right here, but it has grown at about the same rate.

We are reexamining right now whether in the next budget we can afford, the State as a whole, to add more to it, but the amount of money that the State adds to AFDC pales to insignificance in comparison to what the Federal Government does on income transfer payments because the Federal Government has, by and large, taken over the responsibility for income transfer payments.

The same people paying the taxes, Tennesseans are paying those taxes and, as I indicated before, the people paying for the income transfer are basically poor people to begin with.

Mr. RANGEL. Let me apologize to the committee for taking up so much time.

Thank you, Mr. Chairman.

Chairman FORD. Thank you, Mr. Rangel.

I just think for the record we ought to clear up something.

The figures that Congressman Rangel was using for a family of four; I think we used in the briefing book, the need standard for three is $179 a month, and the maximum amount that is paid is $122 per month.

We used those figures, Mr. Rangel, because the average family size in Tennessee is 2.6, and I would like for the record just to reflect that the need standard here in Tennessee is $179, for a three-person family.

I would hate for anyone to be misled by the high payment of $217; that's a family of four; our average family size is 2.6 members, so therefore it is $179, and the maximum amount paid is only $122.

Governor, I will now recognize Mr. Waxman.

But I would like the record to reflect, we talked about an increase and I am wondering whether or not the maximum amount paid has increased since you've been in the Governor's office.

Governor ALEXANDER. It was increased about 3 years ago.

Chairman FORD. The monthly maximum grant per family?

Governor ALEXANDER. I don't have the answer to that.

Commissioner Puett will be glad to give it to you.

Chairman FORD. Thank you very much.

Mr. Waxman?

Mr. WAXMAN. Governor, I want to commend you on a very thoughtful statement.

You outlined the relationship between what the Federal Government ought to do and what the State and local governments ought to do, and I want to tell you, as a Democrat, I agree with your conclusion.

The Federal Government should take the responsibility for what you called the income transfer area, helping the truly needy in our society. The State and local governments should take on other responsibilities.

We have a Republican President who believes that what we ought to do is shift the burden for these income transfer programs to the State and local governments. He believes that we should cut back on the Federal medicaid dollars and on the Federal AFDC dollars and expect the States to fill in the gaps.

You have indicated to us very clearly that your State is not about to fill in that gap. I would like to know from you, first of all, when we take over 12,700 people in Tennessee and strike them from AFDC, and medicaid, what will be the impact on a hospital like the City of Memphis Hospital? How will they afford to serve former medicaid recipients who are now not recipients of any program and are unable to pay for their health care?

Governor **ALEXANDER**. Well, they'll either have to cut their costs or transfer the costs to other patients who can pay.

Mr. **WAXMAN**. In other words, we are going to shift the costs of meeting the health care needs of the poor to the few patients who are in there who are able to pay their own way.

Governor **ALEXANDER**. Or find ways to reduce costs.

I think most Governors, and the medicaid problem I would have to say is the most troublesome problem that the Governors across the board have, we all are working to try to find ways to reduce those costs and an important part of that is having the flexibility to do it.

For example, copayments on these services would permit us to make a minimum charge and that would discourage people, and now I am getting a little more specific than I should, Dr. Fowinkle should probably get into this, but that would discourage people from randomly dropping by the emergency room when they have a cold and focus the money on someone who is urgently ill.

Mr. **WAXMAN**. First of all we are talking about a group of 12,700 who are completely discouraged because they are not going to have any coverage at all.

You are suggesting for those that would still be on medicaid there ought to be a copayment. I understand here in your State a woman with two children who is on AFDC gets $122 per month.

Now, on that kind of income, it's hard to see how any copayment could be "nominal," especially when you consider that these women already have to pay for child care and transportation to get down to the hospital.

One Hundred and twenty-two dollars a month doesn't sound like much, but I'm from California where I am sure that amount of money goes even less far. Isn't the mother with this income going to say, look, I can't come up with that copayment and the best thing for me to do is wait until the children are really sick rather than checking something out at an early state.

Aren't you going to end up paying more money for those very patients that are avoiding care because of that copayment?

Governor **ALEXANDER**. We hope not. Our first priority in medical care in Tennessee, as far as State policy is concerned, is preventive health care. And had the block grants which the President recommended passed, we would have used virtually all of the flexibility that we got to focus more money into preventive health care than we did.

We just had a conference in Nashville earlier this week or this month on prevention of mental retardation, and those attending from all over the country thought we were further ahead than any other State in sensing the fact that you can prevent mental retardation, perhaps as much as half of it, by that sort of thing.

Mr. **Waxman**. The prevention is going to take place with the parent making decisions to care for that child.

Governor **Alexander**. We go to lots of effort with that through maternal and child health care programs which receive a disproportionate share of the Federal cuts. We put money into that; we are trying to focus more of our money on preventive health care wherever we have the opportunity.

If there were plenty of money, all of these things would be good. There's not a bad program in the lot; there may be one or two or there may be waste or fraud, but the difficult decision is choosing between day care centers and preventive health care for a child, and that's just a tough choice.

Mr. **Waxman**. I know it's a tough choice and I think it's an unfair choice to place upon you as a Governor. That's why I think President Reagan is wrong to try to shift these costs because I think what will happen is exactly what you said will happen: The State won't pick up the shortfall and the poor people are going to be without needed medical care, without needed money to survive, particularly as we enter this period of recession.

President Reagan will say to us when we ask him why he wants to do these things, the States will fill in the gap, the States are closer to the poor people, the States understand their problems and they are not going to let poor people go without.

It seems to me you are telling us you are going to let people go without these services.

Governor **Alexander**. A lot of us have different conversations with President Reagan; he's never said that to me. What he says to me is of the money there is to spend, State and local governments will do a better job, and I think all the polls indicate that the people think State and local governments do by 4 to 1 a better job of allocating what money there is to spend.

Now the question of whether we have a lot of extra money to take from people who have it to give to those who don't is a national policy decision that you can make.

My guess is, you know, it's hard for me to imagine what you do when the national debt is 26 times higher than the State debt and the State debt is considered by many people to be almost so high that they wonder whether, or they don't wonder whether we can pay it back, it's at the mid-range of whether we can pay it back.

Mr. **Waxman**. Governor, I am informed that the City of Memphis Hospital gets 2 percent of its money from private paying patients. In other words, 2 percent of the patients have some kind of insurance coverage and the rest are poor.

If the hospitals are going to take care of the poor who no longer have medical coverage because they have been thrown off medicaid, then the private patients at that hospital will bear the burden, unless of course in addition to that you place a greater burden on the poor who are already there getting medical services.

Now there is nothing worse than being poor except being poor and sick, and I would submit to you that when we shift these responsibilities to you and you shift them down to the hospital and the hospital tries to shift them somewhere, they are going to find there's nowhere else to shift and the poor are going to be not only poor but sick.

I want to ask you a specific question about the medicaid program that we're going to face very soon, because President Reagan is about to announce his recommendations to us for additional ways of holding down the costs of the program. There's been talk about having a cap on long-term care under medicaid.

Would you care to say that you think it would be unwise for us to follow that recommendation?

Governor **Alexander**. We think caps—or I think caps—my first response is I think the National Government should take over the medicaid program. I think it could run it on a more controlled basis insofar as the budget goes, and focus the large amount of money that is available on those who need it the most. Imposing a cap from Washington on the States, it's just very hard for us to administer anything like that.

You mentioned the City of Memphis Hospital; we spend a lot of money on medicaid in Tennessee, half a billion dollars. It has grown from $30 million to a half billion in 10 years and if you are looking for big spending, there it is, with a 20–30-percent increase every year.

We don't have the flexibility under the present Federal law to in effect favor the City of Memphis Hospital a little bit because of the fact that it is in a very poor area and has a larger number of poor people than other hospitals might have, that flexibility would help us do it.

As far as a cap goes, I don't like a cap as a method of controlling expenses unless we impose it on ourselves, and if the increase in medicaid costs stay within a 7-, 8-, 9-percent-a-year range, which is what they are judged to be now, we can afford to continue to grow at that rate, which is a lot of money.

Mr. **Waxman**. My last question to you is, when you suggest we have an across-the-board cut on Federal programs, the income transfer programs, the biggest income transfer program we have is social security.

Are you suggesting a cut in the social security program?

Governor **Alexander**. No; you used that question nicely, which is one reason you all have such a big debt in Washington.

What I am suggesting is that you, as Congressmen and Senators, look at the condition of the country and determine if $15,000 per family is not enough money to tax people in Tennessee and want to raise taxes and increase Federal revenues and you need to have less money, then what you could do if you want to increase spending at 9 percent rather than 10 percent is to go across the board on every program you've got, from veterans to farmers to social security to national defense, and say instead of going up 10 percent this year we'll go up 9 percent and that will save $7 billion.

I am not suggesting you cut anything. Washington hasn't cut spending; it has only increased it at a slightly less rapid rate.

Mr. **Waxman**. You initially said we should take the national defense expenditures, put that aside, and take all the other programs and cut across the board.

I believe social security is the biggest of the programs that we have left, and if we are going to cut the increase in social security, we are talking about cutting the ability of people on social security to live at a time of high inflation.

Is that something you would think——

Governor **Alexander**. I think that every single Federal program that I know anything about was put in there by somebody who hoped it would do something good and that in the ideal world it would be great if they continued to grow at the present rate.

If you think they can continue to do that, then you don't have anything to worry about, but if you as an elected Congressman and other people in Washington feel they have to grow at a less rapid rate, then you are going to have to put some limits on the programs.

My suggestion was rather than put it on this one or that one that you do it all the way across the board and that might be a way that Governors and local officials and even recipients could understand. If you make the judgment that there's plenty of money to do everything, why then you don't have to reduce spending.

Mr. **Waxman**. Then your judgment is we have to make the cuts across the board, including social security?

Governor **Alexander**. My judgment would be that from my vantage point, and I've decided not to run to be in the Congress, but if I were trying to look at the Federal budget, I don't have the benefit of the analysis that you all do, it would be my judgment that your growth in spending is going up at a rate that's about as rapid as you can tolerate in the future and still have any kind of economy left.

If that is the case, some of the programs are going to have to grow at a little faster pace, some at a little slower pace. And I think it may be time to spread that across the board, including defense and everything else. Now that's not a cut; that's just limiting the rate of increase. We have to do that every time we make up a budget in Tennessee.

Mr. **Waxman**. Thank you very much, Governor.

Governor **Alexander**. Thank you, Mr. Waxman.

Chairman **Ford**. Thank you, Mr. Waxman.

Mr. Bailey of Pennsylvania.

Mr. **Bailey**. Thank you, Mr. Chairman.

Governor, how much, if you know offhand, does the Federal Government transfer to Tennessee per person?

What is the State's ratio of revenue paid to the Federal Government and Federal spending back to the State of Tennessee?

Governor **Alexander**. Our budget, in terms of the programs that the Federal Government invites us to help administer, there is about $1 billion of programs in our State budget out of $4 million that are paid for by Federal dollars.

Mr. **Bailey**. How much does Tennessee send to Washington in terms of revenue? I don't want to be unfair; it may be an unfair question.

Governor **Alexander**. Oh, I think it's roughly 98 cents out of the dollar; I think we are one of the States that's about awash.

Mr. **Bailey**. You're just about awash?

Governor **Alexander**. Yes.

Mr. **Bailey**. Let me make a couple of comments to which I would like you to respond, just some things that I've been picking up in what you've said. I appreciate your making what I think is a very honest statement, incidentally, although I can't say that I agree with you totally, and there are some things that honestly do confuse me.

If, and this is not some reductio ad absurdum, if the proper Federal role is one that involves itself with transfer of income to some degree, and if that is something you would like to see us do and your advice to us is to do that with many of these programs, and if that's not a proper State role, let's leave two postulates and go on the other side and look at revenue, let's look at tax policy.

You made some statements about tax policy and regulation that raise questions of productivity, trickle-down economics, and all that kind of thing. Write those down in your mind.

We had a Ways and Means Committee hearing where Dave Stockman appeared before us and I said I was very concerned about the bureau of vocational rehabilitation in Pennsylvania. We have a program that paid the Federal Government in terms of taxes and revenues $1.37 for every dollar invested in the program.

The administration wanted to eliminate the program from the budget. Now when we're talking cost/benefit analysis, that doesn't make much sense, does it? It really doesn't make much sense.

You are going to give us a buck thirty-eight for that very good cost/benefit relation program, a positive program, because philosophically you want to do what they don't. They're doing just the opposite of what you are suggesting.

So then we come back to who plugs in or takes advantage of these people now that they have a problem and how do you do it most efficiently?

Why, because somebody out there has a problem that is really not that involved with Federal-State relations in question. They contribute as taxpayers or potential citizens to everything we do.

How can we turn away from those people and simply say that we are not going to help them or the State of Tennessee unless you have some kind of problems with tax base here? Because you don't want to raise taxes? That's the issue, none of us do. As a politician, I can respect that. You have a responsibility to represent the people and I can understand that.

So my question is this: If the Federal role is one of accepting that responsibility, and I'll remind you that the relationship between Federal taxes and that debt and spending is different than in many States, you are probably one of them, where most of your tax base is relatively regressive or flat.

That's probably the case; that's probably why you can't minus money out of that $15,100, take $2,000 of Federal money out of there, you don't want to replace that with State revenues because it's not practical for you to do that.

You know what all that reduces to, all that stuff? And these are things that you have said. You're just flat out in disagreement with the Reagan administration on how to approach this problem.

What you are saying is that in the regulatory end you agree, well, that's what it comes down to, and I don't mean to——

Governor **Alexander**. Well, they know that.

Mr. **Bailey**. But I'd like to get you to say that.

Let me tell you why, let me tell you why. Because you just can't talk about spending policy in a vacuum, you can't talk about productivity in a vacuum, you can't talk about human resources in a vacuum. You have got to talk tax policy and these kinds of things. You can't consider them in a vacuum.

If we are going to achieve as an objective to help the people that need help, and make those investments in education that are so vital to this society. This country has never stood for giving everybody a million bucks, but it has stood for equal opportunity. That is the issue. If we are going to do that, you are really telling me that Mr. Reagan is just flat out wrong.

Governor **Alexander**. Well, in terms of the President's view that unless we restrict the growth in Federal spending and reduce taxes and reduce regulations as a way of getting the economy back in shape, I agree with that.

In terms of the President's reluctance to accept a sorting out of functions, which is what you talk about, whose job it is, we do disagree. He knows that, and so do the people at the White House. Most Governors disagree with the present White House attitude about who has which responsibility.

You suggested in your comments that if the National Government, for example, took over income transfer programs, all of them, or virtually all of them, and if——

Mr. **Bailey**. The ones that you suggested.

Governor **Alexander**. Right, and if we focused on—if we had all of elementary and secondary education——

Mr. **Bailey**. They focused maybe on services more.

Governor **Alexander**. Yes. That somehow we would be—I hope you don't mean we would be therefore abandoning the people who need income transfers or that Washington would be abandoning education. I just think it improves accountability.

The answer is, we do disagree on whether the National Government should take over income transfer programs that I mentioned. That is a point of disagreement between the President and me and between the President and most Governors.

Mr. **Bailey**. Well, I will add as a postscript that I sympathize with the response you have taken of filling up the gap as a whole that Mr. Waxman and Mr. Ford and Mr. Rangel were asking about. I sympathize with you, but you have to say something more.

The truth, in fact, is as a practical matter, given your tax base and tax structure, in all likelihood you probably can't, as a practical matter.

Governor **Alexander**. Well, I am glad you recognize that. Now you could ask the question—and no one has asked it, and maybe it is out of of politeness—if over the years the Federal Government could have raised taxes per family to $11,000 per Tennessee family and the State only got up to $2,200 per family and the local governments only got up to $1,900 per family, why didn't the State governments, which were the primary governments, except for National defense, do it instead of the National Government? That is a very good question.

The fact is that over the years, the State governments did not accept the responsibility in the social services and social welfare areas that Washington did, and that is where most of the focus has come. But it is a fact now.

I have only been Governor 2½ years, and I have to deal with the situation of and rapid changes in that. We will raise taxes if we need to. We just did last year in the gas tax, as an example. We can do it again if we have to do it, but we can't do it at $1,000 a family at a whack.

Mr. BAILEY. I am sorry, Governor. I have used up more time. I thank the chairman for that.

I will just end up by saying that I hope we can do something to solve these problems. I hope we recognize that on that transfer issue, as far as meeting people's needs are concerned, we recognize the fact that not only in spending priorities but with the incidents, the nexus, of the tax changes being made, that we have placed a double burden on the people that need help the most.

They are going to come out even worse. We have forgotten about that, and I am very glad that you honestly and openly admit that you disagree with the President, at least on some of his priorities.

Chairman FORD. Thank you.

Mr. Anthony of Arkansas?

Mr. ANTHONY. Thank you, Mr. Chairman.

I now know why you are such a popular Governor in the State of Tennessee. When you pick and choose to be supportive when he is right and nonsupportive when he is wrong, that makes you more popular in the State of Tennessee.

Just a couple of quick questions. You have got an 18- to 15-percent reduction in some of the programs that you are talking about. Therefore, you have got less transfer money coming into the State, but you have still got the same responsibilities, you still have those same people out there.

We haven't reduced your population of poor people the 18 or 15 percent. Can you save that amount of money through administrative costs?

Governor ALEXANDER. No.

Mr. ANTHONY. If you can't save that much cost in the administration of your programs, then what are your priorities to try to lessen the burden on the people that are dependent upon those programs?

Governor ALEXANDER. Well, as I said, those are your programs. All we are doing is administering Federal programs. The question you are asking is can we afford to take money, for example, out of education and pick them up. The answer is no, we don't think we can. What would I do about it? The only suggestion I have got is the one I repeated——

Mr. ANTHONY. That we take over more?

Governor ALEXANDER. No, no. It is that as you make cuts, you not concentrate so many of them in one area. The Federal budget isn't being cut. It is increasing at a more rapid rate than most State budgets in this fiscal year, but Title XX and AFDC are being cut because it was felt by the Congress that it is more important to increase national defense and social security and those programs.

So I was suggesting that if you would spread the misery over more programs, there wouldn't be any cuts in actual spending.

Mr. ANTHONY. If I understand you in response to a question Mr. Bailey asked, which partially covered a question I had written down, are you willing to suggest ways on the State level to raise revenues needed to keep up the level of services to the poor people of Tennessee?

Governor Alexander. I am willing to suggest any time we have got to have it, raising revenues on a State level and have done so, and we did that just last year. I don't want to take the easy out. When I do that, if I do it, I would expect that the large bulk of spending would be spent on about the priorities we have today, which are $1 out of every $2 we collect on public education.

We can't turn our backs on that. I would not be honest with you if I said that we could increase our revenues and still do a good job of public education, and also with social services programs, which the National Government is now funding.

We don't fund public education adequately in Tennessee because the taxpayers are so relatively poor. The people paying the taxes are poor here, as they are in Arkansas.

Mr. Anthony. One final question. Based on all of the comments and questions from my colleagues and your reply and comments to those questions and comments, and based on some of the literature which you have provided in our briefing book because of the changes in the rules being extensive, because you wrote a letter to your Congressman saying that you were against the cuts across the board in mid-term because you are in the process of trying to make your assessments, that it becomes difficult, more difficult on you to make your budgets, would you say that we are in a period of assessment and that maybe we ought to kind of put it on hold, at least through fiscal year 1982, and start talking about what we ought to do in fiscal year 1983 rather than trying to make additional cuts for 1982, to give all the Governors and all the local administrators a better opportunity to see how the new rules are going to affect them?

Governor Alexander. Well, of course, that would be easier for us. I mean, you have to weigh that against the majority's view in Congress about how urgent the fiscal problems in Washington are.

Mr. Anthony. Well, if we aren't worried about a balanced budget anymore, another $13 billion is insignificant.

Governor Alexander. You are not worried about it anymore?

Mr. Anthony. Well, the President said that. I mean, that is the headline in the newspaper the last few days. So, if he is not worried about a balanced budget anymore, what is another $13 billion. That is really all he has asked us to cut in mid-term 1982.

So I am saying another $13 billion added to an uncared about unbalanced Federal budget, would that not give you the time to adjust to the new federalism? If you have to look for new sources of revenue, at least it gives you an opportunity to find the revenue and the areas that you can suggest to the legislature, plus you could set up a priority of how much would go to secondary education, plus the income transfer payments within the State.

Governor Alexander. Well, the answer has to be, of course, it would be much easier, but I don't want to be hypocritical and sit here and say that I am not continually astonished by the amount of money spent in Washington.

I understand the view of many people that the growth in spending ought to be limited. Of course, it would be easier for us if we didn't have to accept cuts twice in the same year in programs that involve people and communities. Of course it would be.

Mr. **Anthony**. Thank you, Mr. Chairman. I yield back the balance of my time. I would like to thank the Governor for a very well-prepared presentation.

Governor **Alexander**. Thank you, Mr. Anthony.

Chairman **Ford**. Governor, once again we would like to thank you for appearing before the committee, and I want you to know your testimony is very helpful to us.

One final comment. In reading the newspaper I guess over the weekend, three Governors testified last week before one of the Senate committees and indicated that State budgets are in disarray and chaos because of the administration's untimeliness, having not yet decided on the fiscal year 1982 budget. I am assuming that you are saying the same thing here?

Governor **Alexander**. In little less dramatic words, yes.

Chairman **Ford**. This was a bipartisan——

Governor **Alexander**. Oh, I know the Governors who made the statement, but that is always true, you know we never get our final amount of money from Washington until we are about through with the year. You can imagine how difficult that is to administer.

I want to thank you—I don't want to interrupt your comment, but I wanted to say one thing for 30 seconds before I leave. I will wait until you are finished.

Chairman **Ford**. Governor, one final thing. You have been good enough to comment on this, but I was thinking of a family of three, and mother and two children, in Tennessee. We have often talked about work incentives here in our State.

You take a mother with earnings of $200 a month, maybe $100 in work expenses, including daycare. Under the old law, that person would be eligible for $95 per month AFDC payments, $176 per month in food stamps, plus the $200 in earnings, to give her a total of $471 monthly.

Under the new law, for the first 4 months the new recipients under the AFDC program, that same person would be entitled to $90 in AFDC, $162 in food stamps, plus the $200 in earnings.

Now, after the first 4 months, that person would only be eligible for, in Tennessee, $44 in AFDC, $176 in food stamps, and the $200 in earnings, giving her a total of $420 per month.

I am just wondering, without any earnings at all, that same person would be entitled to $122 a month in AFDC and to $183 per month in food stamps, giving her a total of $305 with medicaid coverage.

If that same mother with earnings increases her work effort to any degree, she will completely lose AFDC assistance and would not be entitled to medicaid. At her earning level, it is obvious she would not have private health insurance coverage.

Do you think that would be an incentive for one to continue to work, to bring earnings in to try to make ends meet, to try to one day leave AFDC rolls?

Governor **Alexander**. That was a little hard for me to follow, Congressman, but I know your point, and your point is that our policy in operation discourages people from the work incentive.

I think you are precisely right. We build up these programs, all of us do, and the accumulation of them sometimes has unintended consequences.

I am sure your example is accurate. We see that. Commissioner Puett can talk about that a little more expertly than I can, but the answer to your question is that building—looking at policy and operations to see whether the work incentive is built in or out would be a terribly important thing to do.

Chairman **Ford**. Governor, once again we thank you for appearing before the committee.

Governor **Alexander**. Thank you, Mr. Chairman. I am again proud that you chose Memphis. It is a very constructive thing for you to do. I know it takes a lot of time out of a busy people, and it is encouraging to me that while we may disagree on what the level of spending ought to be, once that is put on the table once a year, which is how often we appropriate money, there is a broad area where committee chairmen like yourselves, and members, can work with those of us who are glad to help administer these programs on a day-to-day basis to try to make sure that the dollars go to the people who need them the most. I am glad to accept your suggestions and your criticism, and I appreciate your being here.

Chairman **Ford**. Thank you again very much, Governor.

Dr. Fowinkle and Commissioner Puett, do you have any statements that you would like to submit for the record?

Dr. **Fowinkle**. No.

Chairman **Ford**. We would like to ask you to wait a few minutes to appear with State officials from the States of Mississippi and Arkansas. If you have to leave, we will understand.

We would like to call panel one, the present or former AFDC and medicaid recipients—Ms. Brenda Yaun from Memphis, Tenn.; Ms. Romy Campbell of Marianna, Ark.; Almond J. Washington of Jonestown, Miss.; Linda James of Chattanooga, Tenn., accompanied by Allen Ramseur and Gary Vanacek; Ms. Barbara Cable of Jackson, Miss.; Ms. Michelle Scott of Memphis, Tenn.; Liza Crane of Byhalia, Miss.; and Ms. Tarna Miller, Memphis, Tenn.

We will hear from the witnesses in the order in which I call your names.

The first witness will be Ms. Brenda Yaun of Memphis, Tenn. The Chair will recognize you at this time.

STATEMENT OF BRENDA YAUN, MEMPHIS, TENN.

Ms. **Yaun**. Thank you very much, Mr. Ford. I hope you all can hear me up there.

Chairman **Ford**. Would you pull the mike in a little closer, please?

Ms. **Yaun**. Can you hear me now?

Chairman **Ford**. Yes.

Ms. **Yaun**. My name is Brenda Yaun, and I live at 635 Benham in Memphis, Tenn., which is in the Frazier area.

I am here today on behalf of my child, not myself, and other children who are in the same situation that she is in.

My child is 2 years old. She has a neuromotor disorder. She has the capacity of a 12-month-old. She is not mentally retarded, but she has the classification of development delayed. She goes to Forget-Me-Not, which will be closing on December 15, and she is on title XX money.

Chairman **Ford**. Excuse me. She goes to Forget-Me-Not what?

Ms. **Yaun**. Forget-Me-Not is a school for handicapped children, mentally retarded children, children with handicaps from brain damage. Some of them like 5 and 6 years old can't even crawl.

As of December 15, my child has no place to go, gentlemen. Nowhere whatsoever. She can go to a school. She is on the waiting list, which the waiting list is a year or longer. The school is Easter Seals. They have title XX money, but their title XX money contract is different from the school that she goes to now.

If I go to work, which I am intending to do on November 30, my child cannot get in that school because we will be making too much money and she has no place to go.

She has greatly improved. To see her today you wouldn't know that there is anything wrong with her.

There are other kids, not only in the Memphis area but the Tennessee area and in the United States, who can qualify for title XX, but they cannot get in a program, if there is a program to get into, because of the Federal budget cuts. These kids who are handicapped need a place to go.

We are not asking anything for ourselves. We are asking for our children, children who are the future of tomorrow, because we won't be here.

I think it is very unreal—I don't agree with President Reagan, I will tell you that right now, because I don't see how he can do this. If he is really for the needy, he is not helping these children.

There are 50 kids or something like that at this school. This is not the only program. There are other programs that will have to close up because of this, and these kids have no place to go, no place tomorrow.

I just think it is unfair to these children. I am not asking anything for myself, but for my child and other kids who are in the same situation.

I am on the borderline. My husband makes a little bit over $11,000 a year gross, not net. There is a hell of a lot of difference between gross and net, gentlemen.

My child could get on SSI, but we make $25 a month too much? What is $25? My child needs SSI. If I were to die and my husband were to die at the same time, there is nobody that could take care of her. She would have nothing.

We could get on other things, too, but we make say $20 a month too much. I am talking about gross, not net. Like I said, there is a hell of a lot of difference between gross and net.

It just makes me sick that I cannot get my child the help that she desperately needs, desperately. And other children—you cannot imagine how many mothers call me a day begging me to get their child in a program like my child is in. It is pitiful.

Chairman **Ford**. Thank you very much, Ms. Yaun.

The Chair will recognize Ms. Campbell from Marianna, Ark.

STATEMENT OF ROMIE CAMPBELL, MARIANNA, ARK.

Ms. **Campbell**. My name is Romie Campbell, and I am from Marianna, Ark. I am here to represent AFDC recipients with children 18 years——

Chairman **Ford**. Excuse us for just one minute, please. I think we need to turn the mike on.

Ms. **Campbell**. My name is Romie Campbell, and I am from Marianna, Ark., and I am an AFDC recipient. I have three children and myself in the home, and my income is a total of $122 a month. I was receiving $161 and we got it cut.

I have a daughter 18, and they cut her off of medicaid. She is pregnant, and they told her she cannot receive medicaid because she is 18 years of age and that after she has the baby she can reapply.

She didn't want to apply for AFDC herself. She said she wanted medical attention for now while she is, you know—to get family planning and having the baby. They said she couldn't receive it.

Also, because she is 18 years of age, I cannot receive food stamps for her. They say because she is in school she can't receive it. I can understand why if she was away in college, but she is living at home and eating at home.

I pay her transportation to get to school out of this $122 a month, and they tell me if she was working 20 hours a week that she could receive food stamps, but they would add her income onto mine. So this makes the fact that it would be cut still. So why should she be able to receive them if she is working and can't receive them because she can't work?

Also, the fact is, and I would state, there are no jobs. I did seasonal work and working in the peach orchard, climbing ladders and stuff. OK, they cut my check. I didn't mind them cutting my check off. They cut my food stamps. Then they cut my medicaid.

I couldn't afford to take my children to the doctor, working in the peach orchard, not sure I am going to work every day, you know. My caseworker said you mean you are going to quit the job for medicaid? I said sure, you know, supposing my daugher has to go to the hospital. I couldn't get her in. You know, I didn't mind the check being cut, but I need medicaid because you can't tell when your child is going to get sick.

I have a child that has asthma, and I can't tell when she has an asthma attack. I have another child that has problems with her lungs—her tonsils, rather. Every time I take her to the doctor, he says she has got pneumonia, you know. So what am I supposed to do?

Chairman **Ford**. Thank you very much, Ms. Campbell.

Ms. Linda James of Chattanooga, Tenn.

STATEMENT OF LINDA JAMES, CHATTANOOGA, TENN., ACCOMPANIED BY ALLAN RAMSAUR, TENNESSEE ASSOCIATION OF LEGAL SERVICES, AND GARY VANACEK, WEST TENNESSEE LEGAL SERVICES

Mr. **Ramsaur**. Mr. Chairman, I am Allan Ramsaur with the Tennessee Association of Legal Services. I am happy to be here in response to the request of the committee. I am here representing Ms. James today.

Also with me is Gary Vanacek from West Tennessee Legal Services, who is representing one of the recepients that was called, Ms. Peggy Williams, and he will speak to her circumstances.

First Ms. James would like to tell you about what impact the cuts have had on her.

Chairman **Ford**. The committee will recognize Ms. James.

Ms. **James**. My name is Linda James, and I live in Chattanooga, Tenn. Recently I found a job part time making $3.35 an hour. I work about 20 hours a week if I am lucky. My income will be, before they take out, $70 every 2 weeks.

I received a letter in October or the last part of September saying that I will be completely cutoff AFDC and they will take my medicaid card and they also cut my food stamps down.

I have a daughter that has asthma real bad, and she needs constant care. She has an attack at least twice a month. So they took my medicaid card. I checked into some insurance, and it would cost me $36 a week for hospitalization insurance on myself and my three kids. That is my whole income. I really need my medicaid card, and they took it.

Chairman **Ford**. What are your monthly earnings?

Ms. **James**. Well, every 2 weeks I average about $70 every 2 weeks.

Mr. **Ramsaur**. May it please the committee, it is our position—and we will be contending a fair hearing on Ms. James behalf—that she was improperly terminated. That is one of the side consequences of these sorts of mass changes.

The State Department has to process 60,000 cases. The point that this illustrates, however, is that under her current earnings situation, when she loses the so-called thirty and a third at the end of 4 months, her grant would go to $76 per month, and she would be able to remain on medicaid.

The other point is that right now she is limited to working something in the range of 20 hours every 2 weeks, but if she worked 23 hours every week she would be terminated and the maximum cap that she could earn is $326 a month.

Ms. James, tell us about—you were telling me the other day about the situation when your daughter had to go to the hospital and that there are certain drugs and medication already not paid for.

Ms. **James**. Well, she has an attack, if I don't—I have medication at home for her, but if she doesn't take the medication on time, then I will have to take her to the hospital to get a series of shots which run about—she gets a shot every 15 minutes. She gets about six shots. Then if the shots don't work, they will put her in the hospital.

She was hospitalized last month, but I did have my medicaid card for last month. But if she was to have an attack this month, there is no way I could take her to the hospital or pay these bills.

Mr. **Ramsaur**. Ms. James, one time last month you worked a few extra hours for your sister at McDonald's, is that right?

Ms. **James**. Yes.

Mr. **Ramsaur**. And you earned some extra money and reported that to the Department of Human Services.

Ms. **James**. Yes.

Mr. **Ramsaur**. That is what caused—the reporting of the extra income, which Ms. James is obviously required to do, is what led to her disqualification, although it is our position that since that time her earnings have been reduced and she is entitled to a small grant at this point.

How much was your grant prior to going to work?

Ms. **James**. I was receiving $148 a month AFDC and I was getting $222 in food stamps.

Mr. **Ramsaur**. And since you have gone to work, the grant was reduced substantially?

Ms. **James**. Yes, they cut the grant completely off, and they reduced the food stamps to $171.

Mr. **Ramsaur**. Just one other point, if it may please the committee.

Ms. James, how much do you pay for rent at this point?

Ms. **James**. I pay $100 for rent, and that includes utilities and everything.

Mr. **Ramsaur**. Is that about the same as other people you know pay?

Ms. **James**. No.

Mr. **Ramsaur**. Do your food stamps go far enough before the end of the month?

Ms. **James**. No, they do not.

Mr. **Ramsaur**. Gentlemen, we have an inadequate grant level in Tennessee. We have food stamps, which are funded by the Federal Government, but as you hear Ms. James saying, food stamps are inadequate to address her needs. She is receiving no medical care at this point.

Ms. James is one of the working poor that are the ones that are hurt the most by these kinds of cuts. She told you that medical insurance would cost her $37 a week, something that is certainly outrageous, but it is for the same type of coverage that she would have under medicaid.

Do you have anything further to say, Ms. James?

Ms. **James**. No.

Chairman **Ford**. Thank you very much, Ms. James.

The Chair will recognize Ms. Barbara Cable.

STATEMENT OF BARBARA CABLE, JACKSON, MISS.

Ms. **Cable**. I am Barbara Cable of Jackson, Miss. I thank you for the invitation to tell the committee about the problems that people like me are facing because of the recent budget cuts.

When I was 16 years old, my son Chareck was born. I had no resources so medicaid paid the medical bills. I was able to maintain my standing as a junior in high school and graduated with a B average from Callaway High School in Jackson in January 1980. Those first years were hard, going to school while learning to be a good mother to my son. With the help of my mother and assistance from aid to dependent children and the medicaid program I was able to move ahead.

Now I am a sophomore at Jackson State University, working toward becoming a nurse. I am a full-time student. To make ends meet at school and at home, I have to work part time. I work 3 or 4 nights each week and earn a gross income of about $70 per week. The rest of my time I spend trying to be a good mother to my son.

It is not easy to work and go to school and be a good mother, but I have some goals in life that I want to achieve.

Recently I received a notice from the Mississippi Department of Public Welfare that said I would be cut off both welfare and medicaid effective December 1. I will lose $43 per month in income and with my expenses, that will make life more difficult.

Living with my mother, I have to help with the rent and utilities. I have to pay for public transportation to get to school and to work. I have no health insurance. With the loss of the medicaid card, I am fearful of how I would handle some future illness. My son has had ear infections and significant dental problems. If more problems occur, I may be forced to quit school and work full time to pay the bills. That would put off the day when I can reach my goal and become a fully independent person. The loss of these benefits will make it much harder to gain a secure place in life for myself and my son.

When I look around my neighborhood, I see others who are less fortunate than I. There are women who have to give up on their dreams for themselves and their families. There are children with serious health problems who are also being notified that they will lose their welfare and medicaid benefits. At church yesterday one of the deacons brought to our attention the plight of a lady in the hospital who had no way to pay her medical bills.

I don't want to live like that my whole life. I want my child to grow up healthy. I want to complete my education and take my rightful place in society. I need some help today to reach those goals, but I promise that I will become someone who will contribute meaningfully to my community.

Chairman **Ford**. Thank you, Ms. Cable.

Ms. Crane from Byhalia, Miss.?

STATEMENT OF ELIZA MAE CRANE, BYHALIA, MISS.

Ms. **Crane**. Thank you, Dr. Ford. I am Eliza Mae Crane. I live in Marshall County. I live in the small town of Byhalia, Miss.

I am being cut off welfare beginning December 1. I have three children, and I am trying to work. I only work 35 hours a week, and on December 1 my children will be completely cut off.

They were only getting $16, and I won't have a medicaid card or anything. My children need it now more than ever because I went out—I did check with Independent Life Insurance, and it would cost me about $45 a week to carry insurance on them.

I have one daughter in college, who is 19 years old, and I just really need it. The only thing I am asking for is my medicaid card, that is the only thing, if I could get it to have health insurance, because I don't know what my children are going to do without it.

Chairman **Ford**. What are your monthly earnings?

Ms. **Crane**. My monthly gross earnings would be about $600. I work 35 hours a week.

Chairman **Ford**. Thank you.

Is Ms. Miller here?

STATEMENT OF TARNA MILLER, MEMPHIS, TENN.

Ms. **Miller**. Thank you for inviting me here. I did not expect this, and therefore I have no prepared presentation, but I have a very real situation. I am not here necessarily pleading for myself, but for the case of everybody at this table that is being represented.

Chairman **Ford**. Please speak right into the mike.

Ms. **Miller**. I thought I was. I am sorry.

I would like to use the illustration of my situation. I have a handicapped child——

Chairman **Ford**. Excuse me, ma'am. Make sure the mike is turned on.

Ms. **Miller**. I have a developmentally delayed child. I have been a victim of circumstance, as all parents of handicapped children are. We do not live the "American dream". We live day to day with heartache. We talk with our hearts in our throats. There is no other way we can when we are talking about our particular child.

My circumstance goes far beyond the fact that I have a developmentally delayed child. Mr. Bennett has a picture of this child that has been in the newspaper here in Memphis. He was featured representing Easter Seals, being that Easter Seals is one of the programs that is being cut back.

My personal situation is that my husband has been laid off from work for 2 years. He is in the trucking industry. The trucking industry, as you know, is probably hurt tenfold over a lot of other industries.

Because he is in the trucking industry, he managed to get on casual labor with another trucking firm, which laid him off 10 months ago. He is a very hard worker and the situation was devastating when they in turn laid him off.

Because he was laid off and we had no savings, we had to apply for food stamps. Now this hurts our pride somewhat. We are very embarrassed. We go through trauma when all of us have to go to welfare, we have to go to food stamps, we have to go to title XX, we have to do these things, but there is no other way.

My taxes paid for this years ago. I worked hard to get where I am at, and so did my husband. Now, my husband in the meantime has had a nervous breakdown due to the fact my child is developmentally delayed, and also due to the fact that he is not able to gain gainful employment.

As for myself, in the meantime, I have another very healthy child, so I can identify with all of you who have healthy children. I am very proud of that, and so should you be.

I also have a handicapped child, which none of you really share with me, which is very unfortunate for you because you do not know the literal hell that we have to survive day in and day out to see to it that our child is going to progress and become a productive human being someday.

He is an extension of myself, and it hurts to see the extension of myself be a part of this world when he doesn't even really know there is anything wrong with him and he fights day in and day out just in order to walk and accomplish something.

I had to apply for welfare, so I thought, because my income per month is $264, and that is from my child's SSI, it is because my child is handicapped that I have this income.

You can realize the fact that I came from a background that was more prosperous. I have squeezed my parents and my mother-in-law to the point of no return. I cannot borrow from these people anymore because they don't have it to give me. They have been supporting a family of four, plus another stepchild, literally a family of five, for 10 months.

So I can identify with these people who had to go down to welfare. I did not stake my claim on the welfare. I refuse to. It hurts. I would rather not eat. I refuse. My pride is too big. I am sorry. I am a humble person, but I am not humble enough to go beneath my dignity where I have to apply for that, although my situation is just as bad as these ladies because I do have to live with a handicapped child and not have any source of income.

My husband had a nervous breakdown. I'm sure he does not mind me sharing this with you, it's embarrassing, that might hinder him getting a job.

I cannot get a job. Can you believe that I am a person who has had a great work history. I have not worked for 5 years. I have gone into offices and applied left and right and believe me I have pounded the pavement because I do not want handouts. I have pounded the pavement and I have not been able to get a job. I get these wonderful letters from these great employers who say, "Mrs. Miller, your credentials are great, but we have reviewed it with great scrutiny, I'm sorry, but * * *"

That hurts. Do you realize I can't get a job. I have been looking—I should get paid for looking for a job because I have been out there for 10 weeks and I have been unable to find anything. My husband has been out there for 2 years and do you know he is still laid off and he can't find anything, there's no jobs to be had. So we have to take food stamps, not because of pride, and I'll go below that, it's because I have a family that will go hungry if I don't get food stamps.

My situation goes further than that. I am also pleading here for other handicapped parents and these people are wedged between a rock and a hard place and this rock and hard place is that they are going through the fact that they have just enough money to not be qualified for these programs, but not enough money to pay for their children getting proper services.

And if they did have this money to pay for proper services, the services are going to be cut where they can't put forth that money because they want their child, the extension of themselves, to progress.

Also, these parents who cannot get medicare because they are making an income that just barely lifts them up and over to the point where they are not under water, they cannot apply for health insurance. Have you thought of this? These people are turned down for health insurance for their child. How sad. That is an agony, the fact that they have to live with that handicapped child in the first place.

In the meantime, my child goes to Easter Seals, thank God, he goes to Easter Seals. I am the only one who has ever gone out and fought for my child, nobody here has ever offered me a hand to do such. Do you know I had to procure Easter Seals myself? Do you know that it just so happened they had an opening, there is a waiting list an arm's length to get in Easter Seals.

Besides him going to Easter Seals, I must say that he has progressed because of his situation. I won't go into what necessarily caused or has been a result of his particular condition. Maybe some day he might pull out of this situation, because we have a certain legal aspect going on from what caused him to handicapped.

So we have been fighting politics from the day that child was born. To think that my child had to be born this way and we were plummeted into politics because I have a child that cannot speak out for himself, because I am a mother and I love him, I have to go out there and I have to speak for him and because of it, I am going to speak and I am going to do my damnedest to get him normal in this society so he can go out there and use some of this military spending and get killed somewhere.

But I want him to go that far and every parent here wants their child to go that far. Furthermore, every parent who does not have a job opportunity or have no means to survive and then when you add that coupled with the fact that there is a handicapped child in the home or sick children, the emotional trauma itself will make you sick.

My husband proved that. Can you imagine the emotional trauma I have gone through with a husband who has had a nervous breakdown, a child who has nearly died, a child who is 5 years old and experienced emotional trauma? Do you realize the hurt to me when I am rejected from a job that I know I am capable of doing, that no one else knows me well enough or is afraid to take the plunge to use me or abuse me in a job. I am willing to go to work for anybody that will have me so I can support my family. I will be the only means of support for my family but I can't even get a job.

And I am telling you, I am qualified for quite a few of them.

OK, another thing is my transportation to Easter Seals. Mr. Gale Isom, the director of Easter Seals, who has to see to it that these cutbacks are enforced, has told these parents that their children will no longer have transportation service to and from Easter Seals on Friday. OK, still with that cut—they have to keep a 75-percent fill in their school, if they don't keep this fill, they will be cut back even further. Friday, seven children showed up, that's disgusting. I saw to it my child was there, I will see to it my child is anywhere that can render him help so he can be part of your society and sit up there someday.

I am emotional, Mrs. Yaun and myself, we have both cried, I am past the point of crying right now. I feel like it, I want to, I am dried out, I hurt, my family hurts, people around me that know me have to put up with me, I am not easy to be with because I have had to go through this, but I do feel there is hope. I feel there is somebody out there who can be empathetic, not sympathetic because I'll tell you what, we have been sympathized with.

I have a friend who has healthy, normal children, who cannot understand where I am coming from when I tell her that I had to have my child in the hospital and he had this happen, he had that happen, she says oh, that's too bad. I am tired of "that's too bad", let's get something done, let's see to it that these people who come into this world who don't have a chance to begin with, have a chance.

Now I will tell you why—I know I have taken up some extra time—I will tell you the way it hits me, just figuratively speaking. A child with one leg, would you take away his crutch? No. But what essentially is happening is that the Government is saying keep your crutch but we are going to cut off your other leg and things are going to be better in a couple of years. He has got one leg and a crutch and he is going to let that child keep his crutch but he is going to "cut off," quote-quote, cut off his other leg, to tell him that things are going to be better 2 years from now.

My child is progressing now. If he is "cut off" now he won't progress to that point 2 years from now where it will be better. We need empathy, not sympathy. That's the long and the short of it. All of us are hurting.

My situation, like I said, happens to be maybe deeper than other people but I'm out there, I'm a practical member of society, I know what's going on, I see it, I'm part of it, I'm the one that's being stepped on right now, I'm speaking overall, I'm not talking about myself, in general—I am talking about everyone.

There are parents sitting our there right now who can't get their child in a place, and because they can't get their child in a place right now, their child might be "sitting on a plateau" but he can't get any further because the agencies aren't available to help him.

I wish I could cry right now, I really do, I feel like it deep down but up here I'm so hot that it's choking off my tears.

Chairman **FORD**. Thank you, Mrs. Miller and other members of the panel.

Mr. **RAMSAUR**. Mr. Vanacek is here to represent Ms. Williams who was called by the committee but could not make it. He does have a statement on her behalf.

Chairman **FORD**. Well, we would like for the statement to be submitted for the record and we will at this time yield to members of the panel for questions.

[The prepared statement follows:]

STATEMENT OF GARY A. VANASEK, EXECUTIVE DIRECTOR, WEST TENNESSEE LEGAL SERVICES

Mr. Chairman and members of the subcommittee, my name is Gary Vanasek. I am the Executive Director of West Tennessee Legal Services in Jackson, Tennessee. Our Program provides legal assistance to low income people in seventeen rural West Tennessee counties with a potential client population of slightly over 100,000. I have come to speak to you today on behalf of the hundreds of persons in our area affected by the recent cuts in AFDC benefits. The stories of individual hardship you will hear today will convey much better than I ever could the sorrow of not being able to provide your child with even the necessities of life, the pain endured because there is no money for a doctor or medicine, and the disillusionment with a Country and a President who seem to no longer care about its less fortunate citizens. Nevertheless I come because our clients cannot afford to come and because, quite honestly, many of our clients fear that speaking out may only further jeopardize their remaining benefits and some are too proud to appear to be complaining.

In some ways there is very little to say about the abomination and yet we are desperate to tell you that you must reverse this tragic and misguided policy.

In the last year or so we have been told that despite the necessity for certain economy measures, this Nation was not going to abandon the "truly needy." In an effort to assuage our consciences we were assured that a "safety net" of benefits would be maintained. However it did not take long for those who initially had faith in this plan to realize that its opponents' pledge to the "truly needy" was cynical and ludicrous and that the promised "safety net" was largely illusory. I sincerely suggest to the members of this Subcommittee and to all Members of Congress that from now on when you receive a piece of legislation tagged "for the truly needy" you scrutinize it thoroughly before taking action.

Only a few years ago another Administration, supposing to represent the silent majority, undertook its own overhaul of the welfare system. While that Administration may have had its own ax to grind, even it recognized that there was a strata of people between the sick and disabled on the one hand and the middle class on the other deserving of help. It understood that this group, composed of persons employed less than full time and persons working for minimum wage, but with large families, still needed a little assistance to make ends meet. Thus gradations of aid were established depending on family size and income. In addition certain work incentives were built into the system to encourage those able to work to do so. Aid was gradually reduced as other sources of family income rose. Despite these advances basic benefit levels in many states, including Tennessee, Mississippi, and Arkansas, remained pitifully low. Suffice it to say no one was legitimately getting rich from these benefits.

The recently enacted changes in the AFDC program are a frontal assault on low income people generally and the working poor in particular. The limit of 150 percent of the consolidated needs standard before any deductions to establish basic eligibility, the limitations on certain deductions, the reordering of the budgeting process and especially the limit on earned income disregards are all calculated to disentitle the working poor. Does anyone seriously believe that a woman with three children grossing $450 per month can actually afford to properly feed, clothe, and provide shelter and medical care for three children? Before the changes such a person would receive approximately $50 in AFDC benefits in Tennessee as well as Medicaid coverage. This small amount of money and medical benefits provided the "safety net," if you will, for such a family. Under the new act and regulations this family receives nothing. Can anyone say that this family is any less in need of the mere $50 a month than the woman and one child with no other source of income who receives a basic grant of slightly less than $100 per month? I believe that most Americans, when asked such a question, would answer a resounding "no!" The fact is, however, that the public has never been accurately or well informed about the welfare system and remains ignorant of the desperate needs of many of their fellow citizens, preferring instead to believe that the "truly needy" are not being neglected.

In addition to the above-noted changes the new law requires the deeming of stepparent income as well as monthly reporting and retrospective budgeting. The deeming of stepparent income not only imposes a hardship on many second families, but seems destined to administrative and judicial challenges which may last years. Likewise monthly reporting and retrospective budgeting almost seem calculated to produce a bureaucratic nightmare. In actual fact it may be more accurate to say that such changes are designed to arbitrarily keep people from receiving benefits by excluding those who do not have the ability to accurately complete and return the forms. In the name of fraud prevention such regulations are a cynical tool of those who understand all too well the difficulty they are imposing.

In conclusion, I hope you will listen to the stories here today and upon your return to Washington will advise your colleagues of what you have seen and heard. Today, at least, some few people have had the courage to come talk to you; tomorrow the thousands of desperate people who stayed home will line up at the polling booth, hopefully, or pour into the streets, if necessary, to demand a change. The Congress has the power to act now, if it can summon the political will. For the sake of the children, I sincerely hope you do not allow this opportunity to pass.

Chairman FORD. Mr. Rangel will lead off.

Mr. RANGEL. You know that we all have been moved by your testimony, we would be less than honest to say that we feel the same as you do because that's impossible. We are here because so few people in the Nation's Capitol understand the true impact of some of the decisions that have been made. Most of you know that these decisions have been made not just by the President of the United States, but by a Congress where the majority have supported the decisions made.

I am assuming that you would have no way to get to the President of the United States, since I don't myself, but I wonder if any of you know the names of your Congressperson and whether or not you know how they voted on these issues. Because if you don't know, then what we'll have in the future may be even worse as the administration comes back asking for across-the-board cuts again.

Perhaps counsel can inform me, the President has indicated more than once that the private sector in the spirit of volunteerism should fill the gap that these ladies have indicated they feel the pain from. In the course of your representing the interests of those adversely affected by the cuts, have you felt the strength of the corporate private sector volunteer thrust to fill the gap?

Mr. VANASEK. Mr. Chairman, I can speak to that because I recently attended in Jackson a conference on volunteerism in the eighties and I can tell you from my experience what I have found so far. Volunteerism will and must fall far short of what the President expects. Volunteerism must be envisioned all the way from creating more jobs in the private sector—that's not exactly volunteerism—but also volunteering to pick up the slack in many of these programs that are falling short, and it simply cannot be done. The problem is too big.

The Governor was here speaking before, sort of going back and forth on whether or not the State would be able to pick it up, but it simply isn't going to happen.

I read yesterday in our local paper of a lady who said—someone had written in to the Jackson Sun saying—more people should volunteer and churches should get into the act and so forth and so on, and this lady rightly said, "What do you think churches have been doing up to now? Haven't they been doing a lot already and can they really take on the burden of a whole society that has become so complex, when in a small town like Jackson, 50,000 people, neighbors simply can't care as much as before?"

Mr. RANGEL. You don't recall hearing the churches' voice though when the budgets were being cut, do you?

Mr. VANASEK. No, sir; I don't quite honestly, in many cases. Now I think in some cases——

Mr. RANGEL. Well, we didn't hear them in Washington but of course that's the subject of another discussion which we will take care of in the hereafter, but their silence has been deafening.

Chairman FORD. Chairman Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman, I thank each of these witnesses. I think each of these witnesses here bring home the lives that are affected and the ways they are affected. There's a gap that no one seems to be filling.

But I was struck by how your health care needs are related to welfare, because often we don't realize that. A couple of you talked about the fact that if you get a job and you lose your health care coverage under medicaid, you end up working and getting worse off rather than better off, particularly those who have medical needs in your family that are crying out for attention.

Mrs. Miller, I was struck by not only your emotion but by the comments you had to make. I would bet that one of the reasons you are not able to find a job is because the prospective employer worries about giving you health care coverage because you have someone in your family who is going to have health care needs. We are budget numbers and are forgetting about people.

I just want to thank each of you. Your testimony brought home that point. I wish that those who so glibly talk about numbers, particularly that young bachelor who heads OMB but who never had to take care of a child or meet a family budget at home, would come and talk to people who are going to be affected by those numbers.

Chairman FORD. Thank you. Mr. Bailey.

Mr. BAILEY. Thank you, Mr. Chairman.

I suppose there is not really that much that can be said. Listening to the direction of some of the anger sometimes, it's most unfortunate that there are obviously a great many people who do care and a great many people, I would count myself among them, who at one time in their life have had to undergo considerable hardship. All that goes I suppose with dispelling myths and the most significant one that I hope we can help dispel today is that, first of all, some type of trickle down economics is going to reach and help people who really live and work in an economic strata that is not going to be benefited by so-called trickle down, so-called supply side economics. That's No. 1.

The second myth and perhaps the cruelest of them all, since all you have to do is flick on a 6:30 news broadcast, the national news, or whatever time it comes on, watch a "60 Minutes" show and see what buys or sells out there in terms of myths, is that you will find people who have very sincere and very real human problems being categorized as lazy, uncaring, unproductive, users.

No more cruel stereotype exists in the United States of America than that, and as long as that stereotype, that myth, that dishonest perversion continues to exist as a matter of public perception, we are not going to be able to do the kind of things in the welfare program, to break the cycle and get people off of it. You certainly can't get people off of it when you can't even help innocent children because their parents are in an unfortunate situation and have absolutely no way of helping themselves.

I wish President Reagan would begin to understand some of those things. There has not been a fair evaluation of these problems.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Anthony.

Mr. ANTHONY. Thank you, Mr. Chairman.

I would like to make a couple of comments but I would also like to ask questions of the, what most people have classified as the working poor. What opportunities do you see in the present society to have your children break out of what is commonly referred to as the welfare cycle? I know you don't want your children to grow up and have to exist on welfare. What programs do you see out there, what do you talk about in your family homes as far as encouraging your children to try to break out of that through either education or vocational education, rehab programs? What do you seek of this State or this Federal Government in providing those people with an opportunity to break the cycle?

Ms. CRANE. Mr. Anthony, in my State I don't think they share the jobs with the poor because I have two daughters that have tried to work during the summer but they have never been able to get a job and to me, I am being a single parent with three children, nobody trying to provide for them but me, to me where there's a husband and wife in the home their children are the ones who receive the summer jobs in Marshall County. I have two daughters that's old enough to work on public jobs and they have never worked in the summer.

Mr. ANTHONY. Well would you be supportive of programs that would encourage your children to learn a vocation or some type work habits that would encourage them to be self-sufficient?

Ms. CRANE. Well, yes, I don't want to take them out of school because they're attending school. My daughter, 19, is at college at the university.

Mr. ANTHONY. So you are very supportive of giving them an education first.

Ms. CRANE. Right.

Mr. ANTHONY. You feel strongly that an education will help them seek gainful employment?

Ms. CRANE. I hope so.

Mr. ANTHONY. You would like to see some Federal and State programs that would encourage education?

Ms. CRANE. Right.

Mr. ANTHONY. Mr. Chairman, I must admit that I was moved. I think the testimony was dramatic, it was dynamic, I think it also is a perfect illustration of the pain and suffering that was illustrated at the beginning of the year that the President said would have to be suffered in order to do the budget constraints that obviously he is after.

But I think it also points up three real problems that this committee can go back and work on. One I think it has shown definitely a correlation between welfare and health costs. I think it has also adequately portrayed the problems of the working poor and the disincentives that appear there in some area, and I think that is an area where we are obviously going to have to study more. But I think it also pinpoints the problem when you are trying to balance the budget and you don't look at policy, but you just look at numbers. As a result you have to come up with arbitrary income limits and eligibility requirements and you run right into the situation where you have the person that makes $20 to $25 a month too much, yet probably has a greater need than maybe some others because of the special circumstances.

I think it's very, very important points that I know this one member of the committee has learned and will take back and I thank you for that.

Chairman FORD. If there are no further questions from members of the committee, we would like to thank each of you for appearing before the committee today.

Thank you very much.

[Ms. Crane subsequently volunteered the following:]

My living condition is very poor. I have no bathroom, no running water, no living room. Just a small three-room house. And sometimes when it rains, it rains in it. And I'm living on someone else's property. Out of the little money I receive, I have to buy wood, pay for water and rent, and I also have to buy gas and pay a light bill every month.

Chairman **Ford**. The committee would like to call up panel 2, State officials from Arkansas and Mississippi—the director of the Arkansas Department of Human Services, Ray Scott; the director of the Division of Assistance Payments from the Mississippi Department of Public Welfare, Mrs. Frances Euart; the director of the Mississippi Medicaid Commission, B. F. Simmons; and the title XX program, Mississippi Department of Public Welfare, Mrs. Jane Emling.

I would like to say to all of the witnesses that we have already been privy to copies of the statements. If you could just summarize your statements for the committee, we will make sure that the entire statements will be made part of the record, so we'll give members of the panel an opportunity to raise certain questions.

At this time, the Chair will recognize you in the order that I call you. Mr. Ray Scott, director of the Arkansas Department of Human Services.

STATEMENT OF RAY SCOTT, DIRECTOR, ARKANSAS DEPARTMENT OF HUMAN SERVICES

Mr. **Scott**. Thank you, Mr. Chairman.

I appreciate the opportunity to appear before you today, particularly with——

Chairman **Ford**. We would ask each witness to talk directly into the microphone.

Mr. **Scott** [continuing]. Particularly with a member of our congressional delegation from Arkansas here in Tennessee, it's a pleasure to appear before Congressman Anthony.

Mr. Chairman, for the sake of brevity, I would just simply like to present a very quick summary of my assessment of the impact of the Federal budget cuts on the State of Arkansas, specifically the AFDC, medical and title XX programs.

Very quickly, the impact on the State of Arkansas' AFDC program is that we are going to close approximately 4,000 aid to families and dependent children's cases, we're going to reduce the benefits to an additional 30,000 cases. This is a result of approximately $18.6 million in reduction in the AFDC program. In all candor, approximately $12 million of that was implemented at State discretion, $6 million of that was implemented as a result of the Federal budget cuts themselves. I will speak briefly to the State discretionary part in just a moment.

One other thing that I would like to highlight that we are trying to do in responding to the impact of the AFDC budget cuts is to try to take advantage of some of the work opportunities or so-called workfare programs. We are seeking to go with that in our State through the WIN demonstration program.

The second thing we are trying to do is target some of the dollars in the community services block grant. By using some of the flexibility that was given in the legislation for the community services block grant, we are going to direct that some of those dollars must be spent in efforts that impact the cause of poverty. What we're talking about is economic development, either the creation of jobs or the creation of small businesses utilizing some of the community block grant funds working through community action agency programs throughout the State.

The final thing we're trying to do in terms of work opportunities is to take a portion of the money in the low-income energy assistance program that was allowed to be transferred for weatherization purposes and try and develop weatherization programs, again around the need to provide more job opportunities for AFDC recipients. In other words, weatherization training would center around how we can take AFDC recipients and get them into some kind of work opportunities program related to the weatherization program, hopefully giving them some gainful skills to market in the private sector.

However, I do ask you to keep in mind, as we're talking about trying to create work opportunities for recipients of public assistance, there are approximately 85,000 people in the State of Arkansas with a population of 2.2 million, that are unemployed today. We just got word about 2 weeks ago that one of the major employers in the State, Reynolds Metals is closing down two plant operations and laying off several hundred more people.

So I am simply suggesting that while our aim may be noble and our objectives optimistic, the reality of the situation is that we're talking about really two different populations. We're talking about trying to create minimum wage job opportunities for people on public assistance while at the same time we've got skilled and semiskilled workers also being laid off and unemployed. It's going to be a difficult thing to accomplish at best, Mr. Chairman, and I guess my point is basically that our ability to build and maintain an effective work opportunities program as a part of this whole safety net concept is very directly dependent upon the relative health of our State's economy.

Last year was not a good year for the State of Arkansas and our State budget reflects that. So consequently we're facing some additional obstacles as we try to deal with the consequences of the Federal budget cuts.

As for our medicaid program, very briefly, the 3-percent reduction in Federal financial participation in the State's medicaid program is going to amount to approximately an $18 million reduction. As I see it from my perspective, the State basically was left October 1 with two choices; one was, we either reduce the current expenditure level of the medicaid program in order to address that 3-percent reduction in the Federal funds or we find additional State funds to replace those Federal funds that were being eliminated through the 3-percent reduction. Our State opted for the latter course of action.

We reduced additional benefits of the AFDC program in order to create State general revenue funds to transfer to the medicaid program. This has been a controversial decision that our State has made and I am going to be a little bit guarded in my remarks, Mr. Chairman, because we are in Federal court right now over that very decision. A lawsuit was brought on behalf of AFDC recipients in the State challenging the State's actions in further reducing benefits beyond the Federal cuts.

My only point, Mr. Chairman, as some of you have already perceived, the relationship between aid to families with dependent children and health care is a very direct, very real relationship. Everybody in our State that is AFDC eligible is also medicaid eligible.

The primary reason we opted to take our course of action was because of a State funding problem which I referenced very briefly a moment ago. Effective July 1, we cut $18 million out of our State medicaid budget as a result of State funding problems which had nothing to do with anything that you in the Congress or the President were considering at the national level.

So October 1, in terms of the Federal budget cuts for our State's medicaid program, it represented "round two." So again, the decision was that if we were going to maintain some form of a health care program for those people eligible for the medicaid program, to go back in and cut an additional $18 million because of the Federal budget cuts was not in the best interests of the medicaid program. Obviously the State being in the economic situation we were, the only option we had was to find those additional State dollars to take the place of the Federal dollars cut from medicaid program. That's the basic rationale for that policy decision.

In summary on the medicaid program, at the same time we implemented the $18 million reduction on July 1 in the medicaid program, we also instituted a number of what we call cost containment initiatives. We are reducing the number of prescription drugs that we are paying for, we are reducing the number of days of hospital care we will pay for by length of stay, by diagnosis. We have gone to prior authorization of a number of elective types of surgeries such as tonsillectomies, hysterectomies and these kinds of things, all in an effort to contain the escalating cost of the medicaid program, which you have already heard this morning is not a problem unique to Arkansas. It's something that is happening in all of the States.

If those cost containment initiatives do in fact work, and our early indications are that they are beginning to work, it would be my hope to go back after the first of January and reconsider the additional budget cuts that were made in the AFDC program. Because of the unpredictable nature of the medicaid program, in our State at least, and the question at this point as to whether those cost containment initiatives are going to have an effect, it is too early to say for certain that we will in fact be able to do that.

Finally, Mr. Chairman, on the title XX program, the Federal budget cut represented approximately a 15.7-percent cut in our State title XX program. That basically was created as a result of the overlap between the State and the Federal fiscal years. The way we implement the title XX program in our State, it is the only thing that we really have that I would say that has been a block grant for a number of years. I guess for about 5 or 6 years, we have been block granting title XX. That is, the various programs that are within my department each get a pro rata share of the total title XX block that comes to the State.

Our implementation of the Federal budget cuts was to take that 15.7-percent cut across the board; mental health, mental retardation, youth services, aging, all the agencies that participate in the title XX program.

Second, in response to the changes in some of the regulations regarding the title XX program—the abolition of the match requirement, the elimination of the eligibility criteria—because the program changes came on us so suddenly it was my recommendation to my Governor that we, effective October 1, not change all those requirements in the title XX program, but that we retain the current match requirement, that we retain the current eligibility requirements. However, we are giving the program the opportunity to come in and request a waiver at the State level if they would like to change the unique eligibility requirements for their specific program population.

Finally, the title XX program, in our State is done through a purchase of service mechanism. That is legal and binding contracts with private nonprofit providers around the State and about 80 to 85 percent of our title XX funds are spent through that mechanism. One of the things that we are requiring this year though from all those private, nonprofit providers is the establishment with our guidance of a fee system, either a sliding fee scale or a fee for services system where we can try to infuse more income into those programs to help offset the net effect of the Federal budget cuts.

In summary, Mr. Chairman, I think what I have simply tried to do from my perspective as a State official is to work in tandem with my chief executive and with our legislature trying to deal with the consequences of the Federal budget cuts effective October 1. However, I have tried also to impress upon my legislature that this is simply not just a one-time reduction in Federal funds that they are normally accustomed to dealing with at the statehouse, but that, as has been reiterated this morning, it is a first step of a fundamental shift of responsibility from the Federal to the State level to assume greater responsibility for these kinds of programs.

We are between legislative sessions at this point even though a special session has been called, which is the reason my Governor was not able to be with you today. However, none of these kinds of issues are going to be dealt with in that special session because there is no additional money in the State treasury to allocate.

So, in summary, Mr. Chairman, I am trying to work cooperatively with the executive and legislative branches in my State trying to help them to better understand the consequences of this fundamental shift and how we plan to deal with it in future years.

Chairman **Ford**. Thank you, Mr. Scott.

[The report follows:]

ARKANSAS DEPARTMENT OF HUMAN SERVICES, FEDERAL BUDGET IMPACT ANALYSIS OF AFDC, MEDICAID, AND SOCIAL SERVICES

IMPACT OF AFDC PROGRAM REDUCTIONS

The AFDC program appropriation for State fiscal year 1982 is slightly over $52 million. As referenced in the section on Medicaid, the State has reduced the AFDC program by approximately $18.6 million. Of the $18.6 million, between $5 and $6 million of the reduction was necessitated as a result of the enactment of the Omnibus Budget Reconciliation Act of 1981. Changes in the AFDC program included:

(1) Income Limit—Family income eligibility limited to 150 percent of state standard of need. Current standard is $273 per month for family of 4. (Results in 328 cases closed.)

(2) Age limit—Defines dependent child or under age 18. (Results in 490 cases closed; 1,100 payments reduced.)

(3) Earned Income Disregards—Establish an earned income deduction of less than $75 for wage earners employed less than full time. (Results in 1,255 cases closed.)

(4) $10 Minimum Payment—Prohibits payments of less than $10. (Results in 129 cases closed.)

(5) Stepparent Cases—Requires consideration of stepparent income in calculation of benefits. Average reduction would be $70 (Results in 2,400 payments reduced.)

(6) Resource Limits—$800 per family excluding only owner-occupied home and one auto value of $1,000. (Results in 1,200 cases closed.)

(7) Reduce Payment Standard—From 69 to 52 percent. (Results in 557 cases closed; 25,775 cases reduced.)

MAXIMUM PAYMENT LEVELS

	Current payment	Oct. 1, 1981 payment
Number of eligibles:		
1	$68	$51
2	133	100
3	161	122
4	188	142
5	214	161
6	238	179
7	261	197
8	282	213
9	304	229

Note.—Total AFDC reduction $18,630,991.

The Omnibus Budget Reconciliation Act of 1981 also provides the states a number of opportunities to develop optional "workfare" programs for their clients. It is our intent to develop a work program utilizing the flexibility found in the new law and in the block grants. The current plan is to first, utilize the options in the AFDC program to consider the assistance payment as a wage; and secondly, a high priority in the Community Services Block Grant is on "impacting the causes of poverty". Therefore, a significant portion of this block could be earmarked for work programs. Finally, the Low Income Energy Assistance Block allows a 15 percent transfer of this block for a "weatherization" program. This type of program should be designed to provide training and job opportunities as a part of the weatherization effort.

All of these options provide our state a unique opportunity to develop work programs. This development will be a high priority in the department and initial planning activity has already begun to have a program designed and ready for implementation by January 1, 1982.

IMPACT OF MEDICAID PROGRAM REDUCTIONS

The Budget Reconciliation Act of 1981 made significant alterations in methodology for reimbursing states for Medicaid expenditures. Federal reimbursements to the state will be reduced by 3 percent in federal fiscal year 1982, 4 percent in 1983 and 4½ percent in 1984. The net effect of the act transfers three (3) percent of what would otherwise have been federal expenditures to the state. The effect of the act on state fiscal year 1982 could approximate $18 million in total program cuts. If total state Medicaid expenditures in federal fiscal year 81-82 are not over 106 percent of expenditures in a base year established by the federal government. Arkansas will recoup $5 million in previously expended general revenues in the beginning of federal fiscal year 82-83. However, without $5 million in additional general revenues for the program in state fiscal year 1982, total program costs would be reduced by $18 million.

In addition to federally legislated cost transfers, state appropriations are insufficient to meet continuing levels of services provided during fiscal year 1981. Cuts to reduce expenditures to available appropriated amounts are estimated to be $18.4 million. Total program reduction required for state fiscal 1982 could be as high as $36.4 million.

Several options to reduce Medicaid expenditures are being considered. Among these are: (1) Freezing physician fees; (2) Increasing the co-payment on prescription drugs; and (3) Reducing Medicaid eligibles due to federal mandates in the AFDC program. In order to provide more state funding for Medicaid to offset federal reductions, the AFDC program has already been reduced. Some 29,000 AFDC clients were impacted by this action.

Additional analyses will be required to make further reductions in the Medicaid program. The new Medicaid legislation gives the state flexibility in developing reimbursement methodology, in funding lower cost services, and possibly relief from costly standards in facilities. Development of cost-reduction measures in these areas will also require study over the next several months.

IMPACT OF TITLE XX REDUCTIONS

The Federal allotment to each state is based on the proportion of the individual state's population to the national population. For Federal Fiscal Year (FFY) 1982, the national ceiling for Title XX to be allotted to states is $2.4 billion. Arkansas' proportionate share of the national ceiling for State Fiscal Year (SFY) 1982 is $25.3 million which is a reduction of $4.5 million, or 15.7 percent from the SFY 1981 expenditure level. In SFY 1983 the full effect of the Federal reduction will cause an additional reduction in funding of $823,000, or 3.25 percent from the SFY 1982 expenditure level. The net effect of the Federal funding reduction for the State's 1982–83 budget period is $5.3 million or 18.95 percent under the SFY 1981 expenditure level.

Title XX funds purchase approximately 184,507 client units of service per year for approximately 46,126 individual clients. Funds are channeled through 7 Divisions/Offices of DHS: Mental Health Services, Social Services, Rehabilitation Services, Developmental Disabilities Services, Youth Services, Office on Alcohol and Drug Abuse Prevention, and the Office on Aging. The reduction in Federal funding has been distributed on a pro rata basis to the Divisions and Offices of DHS based on their SFY 1982 budgets and the Title XX SFY 1982–83 Comprehensive Service Program Plan (CSPP).

In many cases Title XX funds are utilized in combination with other funding sources by the Divisions and Offices of DHS to provide one comprehensive program. The other funding sources include not only Federal funds but also State General Revenues. Although the reduction in dollars to every category of Title XX expenditure will be done on a pro rata basis, due to the varying cost of services and the mix of funding sources utilized to provide services, the net effect on clients will not be pro rata.

It is not anticipated that any major categories of services will be eliminated or that there will be more than a 10 percent reduction in the number of service providers (28 of 281) with a portion of this being due to planned consolidation for administrative and service delivery efficiency.

For example, the Office on Alcohol and Drug Abuse Prevention has responded to this and other reductions by establishing ceiling rates for services and implementing new treatment polices that will actually increase the number of clients served. The Division of Youth Services has reallocated funding to provide minimum services statewide and is targeting services to those most in need, minimizing the impact of fund reductions.

Approximately, 8,103 clients served either partially or totally by Title XX funded services will no longer receive services. Under new Title XX Block Grant guidelines greater flexibility is allowed in reference to fee systems whereby the client would pay a percentage of the cost of the service. In implementing the Title XX Block Grant fee system for services, either the sliding fee scale type based on client income, or a fixed fee will be implemented for those services where it is both feasible and logical to impose a fee. Current estimates indicate that should Clients participate in 10 percent of the cost of services, approximately $1.9 million of the $4.5 million funding reduction could be recovered and applied to client services.

Chairman **FORD**. Now the State Department of Public Welfare of the State of Mississippi as well as the Mississippi Medicaid Commission. I don't know in what order the officials from Mississippi would like to proceed, but we'll be happy to hear from you, if you will just summarize your statement, your full testimony will be made part of the record.

STATEMENT OF FRANCES EUART, DIRECTOR, DIVISION OF ASSISTANCE PAYMENTS, MISSISSIPPI DEPARTMENT OF PUBLIC WELFARE

Ms. EUART. Because you have my full statement, I am certainly going to be very short.

You have the figures that show that approximately 6,000 families in Mississippi will lose AFDC and medicaid benefits due to the Reagan cut. We know that in these families there will be about 18,000 individuals, some of them will be children, some will be adults.

In Mississippi, as in Arkansas, we are in a budget crunch. We had already been directed by our budget commission to cut back every dollar that we could in the State welfare department and in every State program before the Reagan cuts came down So I certainly have no authority to say whether it would be picked up in Mississippi through additional dollars or not.

I do know that we tried to increase the standards in Mississippi, it was done but it was changed because of our budget crunch. In Mississippi we use a method of budgeting whereby whenever we increase the need standards we potentially increase the caseload. Some States budget differently and they can increase the need standards and not have a potential increase in the caseload. In Mississippi that wasn't true and that really was a factor that made us back down on the increased need standard.

I'll be glad to answer any questions, but I am quite sure that you all are tired.

[An impact statement follows:]

IMPACT OF PUBLIC LAW 97-35 IN AID TO DEPENDENT CHILDREN

Aid to Dependent Children clients in Mississippi definitely are feeling and will continue to feel the impact of Public Law 97-35, the Omnibus Budget Reconciliation Act of 1981. The State Department of Public Welfare which administers this program, the taxpayers who fund the program, and the economy of the state also will be affected by the many policy changes in this legislation.

It is too early for Mississippi to provide actual statistics on the effect of Public Law 97-35 in Aid to Dependent Children (ADC). Due to the lack of computer data, Mississippi is implementing the revisions through desk reviews over a period of three months beginning on October 15. Due to administrative procedures, the revised policy will not affect applicants until October 21.

Without doubt, the Aid to Dependent Children policy changes will affect more families with earned income than any other families. We project that the ADC caseload in Mississippi will be reduced approximately eleven percent (11 percent) by the gross income test and other earned income revisions. Families who will lose eligibility are ones in which a parent earns minimum wages and works 20 hours and has one child, works 23 hours and has two children, works 27 hours with three children or up to 39 hours with eight children.

A study based on June caseload of 59,896 money grant cases did not delineate actions created by use of a standard, rather than actual, amount for work related expenses or assumption of monthly receipt of Earned Income Tax Credit, although both factors were incorporated into the estimates. The study also provided statistics on restricting payments to persons eligible for grants of $10 or more. Estimates show that the numbers affected are as follows:

	Number
Grants terminated due to the 150 percent need test	6,080
Grants terminated due to loss of the $30 and one-third disregard	526
Grants increased due to use of work expense standard	720
Grants decreased due to various earned income changes	1,039
Grants lost due to $10 minimum grant	259
Children included in the terminated cases	13,805
Adults included in the terminated cases	6,036

Estimates show that approximately 4,500 or 7.2 percent of the caseload will be affected by considering the stepparent's income, after certain deductions, available to the ADC children. We are unable to specify whether the effect will be a reduction or termination of benefits.

Estimates on other policy revisions are unavailable. Mississippi previously allowed a family of two or more persons to retain $1,500 cash reserve and disregarded $1,550 on one vehicle; hence, the revised limits are more restrictive for such families. We expect an increase in complaints and hearings regarding the method of considering lump sum payments of unearned income and recouping incorrect payments. Few, if any, aliens sponsored by individuals reside in Mississippi. The striker policy should have some, but little, impact because of the characteristic of the earned income caseload that will continue eligible in Mississippi. We do not provide grants to pregnant women with no other children, to children 18 or over, or to parents who qualify solely on unemployment.

The biggest administrative impact will be implementation of monthly reporting. Our administrative costs have been the lowest in the nation, and our staff carry the highest caseloads in the nation. We lack an on-line computer system; thus, the tasks must be handled manually for the main part. As yet, we have no estimates on the actual costs of impelementing such a program; however, we are aware that additional funds for postage, staffing, and other matters will be needed.

Mississippi will provide her share of national savings created by the Omnibus Reconciliation Act. We project that savings will be $2,961,572 by the end of June 1972. Of this, the federal savings will be $2,291,072 and the state savings will be $670,500.

If you have any questions on the above material, call Mrs. Frances Euart, Director of Assistance Payments or Mrs. Martha Palmer Supervisor IV, at 601-354-0341, extension 530.

Chairman FORD. Mr. Simmons.

STATEMENT OF B. F. SIMMONS, DIRECTOR, MISSISSIPPI MEDICAID COMMISSION

Mr. SIMMONS. On behalf of the Mississippi Medicaid Commission, I would like to welcome the opportunity to appear before you and make a few brief comments, and as you already have my statement, I will not go in detail with it.

Chairman FORD. Your statement will be made a part of the record in its entirety.

Mr. SIMMONS. In the beginning, I would like to say that adequate health care for many Mississippians continues to be one of their most serious problems.

In the State of Mississippi, we have about 2.4 million people. Of this 2.4 million people, about 300,000 are covered by medicaid, roughly 300,000 are on medicare for a total of about 600,000 on the two programs. We have between 800,000 and 900,000 additional people who are employed and have basically good health care insurance.

This leaves a vast pool of about 1 million people in the State of Mississippi that have little or no insurance and they have little or no money to pay for their health care. This is a separate problem which we are not addressing today, but it is one that has a direct bearing upon it.

In Mississippi, as I said earlier, our medicaid program provides for about 300,000 needy Mississippians with a budget of about $316 million.

In 1978, the State of Mississippi began to experience problems with funding for the medicaid program. That began a series of reductions in services and benefits and cost containment measures that has been implemented pretty much on a yearly basis since that time. We are now in the fourth cycle of those reductions brought about by the reduction in the Federal expenditures.

The first one took place July 1, 1979, July 1, 1980 another reduction, January 1, 1981 another reduction was placed in effect. We now have a Mississippi medicaid program which most of us consider a bare bone. We have no frills in it at all. 95 percent of our money now goes, that we spend in the medicaid program, toward support of four major programs, hospitals, nursing homes, drugs, and physicians services.

We have cut each one of these programs back to what we consider an absolute minimum. For example, 20 days of hospital care a year, 12 physician visits a year, a 50 cent co-pay on drugs and 6 prescriptions per month allowed. So we have little or no other means to cut back on.

The reductions that we experienced this past October, as Ms. Euart pointed out, has primarly been met by not reducing services further at this time, but by cutting off people off of medicaid. The 13,000 children and roughly 6,000 adults went off AFDC. We face again on January 1, of losing an additional 11,000 AFDC's in the 18- to 21-year group. A far more critical, or another critical matter that we face is dealing with individuals who are in nursing homes.

It's my understanding that the change in the Reconciliation Act deleted one of the provisions that allowed the Secretary to allow you to make a special provision for people who are institutionalized in nursing homes and if this is carried out and we have to take these people off medicaid, this will deduct an additional 4,500 families off medicaid, and these are individuals who are already in nursing homes and will have to look for some other means of care.

So we can see from these figures that we face some severe problems in trying to meet the needs of the needy Mississippians.

Our Mississippi contributions to the budget, while being the poorest State in the Union, has doubled since 1976, in dollars that we contributed to the medicaid program.

In my budget this year, I lost on October 1 about $5 million worth of Federal match funds. So far the State has not reduced my State money although all other State agencies have taken a reduction this year.

The State of Mississippi now is facing something like a $60 million deficit, or was, in their current year's operation in their State budget and our State constitution precludes a deficit, so our people are working hard to make the money break even at the end of our current fiscal year.

Next year in looking toward funding for the medicaid program, the budget commission which initially sets our authorization has told me to expect $1 million less State money next year than I received this year.

When I match this with the additional 4 percent money that I will lose on the Federal level, I'm looking at next year losing some $15 million below what I have this year to run the medicaid program with.

Basically, the Mississippi medicaid program is at the point where we no longer can reduce services and benefits. We've got to look toward, if we have to make major reductions in our program, to what can we eliminate. We will be looking at optional programs and of course we've got two major optional programs in the State of Mississippi that havn't any money in them that you have to look to, and that's our drug program which by and large could be the most effective program for preventive medicine. If you cut the drugs off for all of the people who are out there, the needy, the AFDC, as well as our individuals who are both medicare and medicaid people, we will see a big hurt in the State of Mississippi.

The other one would be elimination of an intermediate nursing home program, and you can see that both of these would be fairly drastic actions.

So in conclusion, I guess, I'll say the Mississippi medicaid program has cut back as far as we can without really hurting some additional people by eliminating some services.

Thank you.

Chairman FORD. Thank you, Mr. Simmons.

[The prepared statement follows:]

STATEMENT ON MEDICAID CUTBACKS

The cut-back management being experienced by State Medicaid Programs as a result of the cuts in Federal funding is nothing new to the State of Mississippi. Cutback management of the Mississippi Mecicaid Program began in 1978 when the State realized there was insufficient funds to continue to fund the State's share of the Medicaid Program with the rapidly escalating rate that was being experienced. Therefore, the first series of reductions in benefits in the Mississippi Medicaid Program was instituted on July 1, 1979.

These reductions in benefits consisted of (1) reducing inpatient hospital days from 40 to 30 per fiscal year; (2) reducing out-patient hospital visits from 30 to 6 per fiscal year; (3) reducing from unlimited to 24 the physician visits per fiscal year; (4) deletion of all over-the-counter drugs except buffered aspirin, sodium salicylate, nicotinic acid, ferrous sulfate, kaolin, pectin, belladona alkaloids and powdered opium, aluminum and magnesium hydroxide, and basal gel (for renal dialysis patients only) as well as a limit of seven perscriptions per month; and (5) deletion of dentures as a covered service.

Even after these initial reductions, the Medicaid Program continued to experience serious financial problems, and as a result of the inability of the Mississippi Legislature to continue funding, a second round of program reductions was initiated to begin effective July 1, 1980 consisting of (1) a reduction in hospital days from 30 to 20 per year; (2) a reduction in physician visits from 24 to 12 per year; (3) a limitation on nursing home beds to 100 beds per 1,000 Aged, Blind, and Disabled Medicaid recipients; (4) elimination of weekend admissions to a hospital except in emergencies; (5) elimination of payment for routine tests upon admission to hospitals; (6) elimination of reimbursement for standing orders; and (7) establishment of a $.50 co-payment for prescriptions.

These reductions failed to bring the Medicaid program to a funding level acceptable to the State and thereby generated a third round of reductions implemented on January 1, 1981.

Included in this series of reductions were (1) stop-payment for ancilliary services on an out-patient basis after utilization of twelve office visits; (2) stop-payment for ancillary services performed in a physician's office unless performed by an independent certified lab or by a radiologist; (3) limited payment of ancillary procedures (lab, x-ray, etc.) to 12 per year performed in physician's office; (4) stop-payment to physicians for hospital visits after patient exhausts inpatient limitation (20 days per fiscal year); (5) limit authorized drug prescriptions to not more than six per month; (6) delete the following drugs from the drug formulary: cough tablets, cough syrup, cough and cold combinations, antihistimine tablets except Benedryle and Periactin, anti-decongestants, promethazine syrup and tablets, papabrine, any arthritics except aspirin, and Darveocet/N-100 tablets, (7) placement of a $2 co-payment on dental visits, $3 on each pair of eyeglasses, and $3 on each ambulance service. In addition to the above, a prospective hospital reimbursement plan was developed, approved by HHS and implemented on July 1, 1981.

As a result of these reductions in services, the Federal reduction which was initiated on August 1, 1981 has not severely impacted the Mississippi Medicaid program. The reduction in Federal funds has meant that the program must continue to evaluate all services and to monitor utilization very closely. The reduction in beneficiaries of 18,000 AFDC due to eligibility changes associated with income changes and the deletion of approximately 11,000 AFDC "MAO" recipients aged 18-21 who are ineligible by reason of age and school requirements will assist in absorbtion of the reductions.

At present, due to these reductions in services/benefits imposed over the three previous years, we have cut these services to what we consider to be bare-bone for an effective Medicaid program. If significant reductions in funds are made in the future, the Mississippi Medicaid Program will then have no option but to consider elimination of an optional service. Currently, we only have two optional services with any significant amount of funds in them. These are Intermediate Nursing Home care and the drug program. With the inability of State dollars to replace Federal dollars, and if costs and inflation continue to escalate at the current rate, we may well have to consider in the near future the elimination of one of these optional services.

The changes in the Omnibus Reconciliation Act of 1981 present the states with some flexibility in coping with the Medicaid problem. Also, the provision for reimbursement for home and community services is a major step toward easing the problem of long-term care burdens created by favoring institutionalized care. The long-term care cost is still well over 40% of the Mississippi budget and is increasing on a yearly basis.

I believe that in order for the states to cope with this escalating cost, and the escalated aging of the population, the concept of co-payments or cost sharing must be reinstituted. The concept of co-payments or cost sharing has been successfully adopted by most third party health insurance carriers including the Medicare Program. A system of cost sharing based upon ability of the recipient or immediate family to pay must be integrated into the Medicaid Program. Many families are financially able and willing to contribute within their available resources toward their relative's health care needs. While it may not be possible for the family to contribute the entire cost of nursing home care, it may well be within their means to contribute on a regular monthly basis.

In conclusion, the Missisippi Medicaid Program has been cut back to the absolute minimum that it can continue to operate on and to meet its objective of providing adequate health care to the needy Mississippi recipients.

Thank you for the opportunity to appear before this Committee and if you have any questions, I will be happy to answer them.

Chairman **Ford**. Mrs. Emling from the title XX program, department of public welfare for the State of Mississippi.

STATEMENT OF JANE EMLING, ADMINISTRATOR, TITLE XX PROGRAM, DEPARTMENT OF PUBLIC WELFARE, STATE OF MISSISSIPPI

Ms. **Emling**. Thank you, Mr. Chairman.

I welcome the opportunity to be here and you do have the statement that was prepared on the impact of title XX.

Chairman **Ford**. The statement will be made part of the record.

Ms. **Emling**. I want to maybe digress just a little bit and speak to you more as a social worker rather than as an administrator in a State welfare program.

I've been working with title XX since its inception in 1975. As social workers we welcomed title XX because it made one of the first broad statements of a national social policy regarding the citizens of the United States and we felt like this was a move in the right direction with goals set and services prescribed to those goals and some sort of general overall impact that the Federal Government felt should be provided to the citizens.

In the block grant the goals are maintained; however, there is no emphasis at all on whether certain services should be provided against those goals or anything that was left in the law in that respect. So this comes as a disappointment to us who try to adequately treat client needs.

Also, the cuts as with most States, became effective October 1. In Mississippi as Mr. Simmons has already stated, we are a very poor State so the total number of dollars coming into Mississippi was very small when you consider the numbers of dollars that went into some of the larger States; however, the impact was just as great.

We have never spent our total allotment under Title XX in Mississippi because we did not have the match money available to draw down the money, either from our State appropriations or from local match. We are set up a little bit different from Arkansas since we're not an umbrella agency as Arkansas is. The welfare department purchases services not only from private nonprofit agencies but also other State agencies like the department of mental Health, the State board of health, et cetra., so that we became a source of helping them expand some of their programs.

With the cuts in title XX we don't know what we'll have to do yet, we're still studying that. We do not know what services might be affected. However, I do want to emphasize that Title XX is thought of, as in Arkansas, as a block grant. However, it is basically not that, it has been up until the block grant, a program of funding for all social services, not just those social services which we purchase under contract, but the social services that we as an agency are federally and State mandated to provide, like protection services for children, foster care services.

As you may well be aware, the money that comes in under the Child Welfare Act and the foster care and adoption subsidy is really a drop in the bucket for all that we have to do for children and the elderly population in need of protection throughout our State. So that any increased cuts would drastically impact not only the support services that we are able to buy like was so eloquently described this morning for handicapped children. We have got to maintain some sort of continuing services for the protection and care of children and adults.

I was recently at a meeting in Atlanta last week where the southeastern regional States got together with some of the Federal and regional people, and we were told in so many words that we were lucky the first quarter because they got out the grant awards for title XX block grants before OMB got to them with their instructions. And the grant awards were based on the $2.4 billion title XX, but that we might as well be prepared for the next grant to be based on $1.9 billion, which would, in Mississippi alone, be a cut of, an additional $5.5 million. That doesn't sound like a whole lot of money to some of us because in Florida—I talked with my counterpart there—that cut will amount to $20 million. That cut we would have to absorb in the last three quarters of this fiscal year. We can't do it and as Mr. Simmons has implied, we are already hearing that we probably will get less state dollars next year than we had this year. We don't know that for a fact but that's what we hear.

So I think that we need to not only understand the impact of the cuts that we have now, but what additional cuts are going to mean to the people that need these services the most.

Thank you.

[An impact statement follows:]

IMPACT OF TITLE XX BLOCK GRANT ON MISSISSIPPI

The Title XX Social Services Block Grant Act of Public Law 97-35 will impact on Mississippi in several ways. Some will have a positive impact and some negative.

The negative impact will be felt in three basic areas. First we will have to cut, limit or decrease some services. In fiscal year 1981 Mississippi spent a total of $26,023,463 in Title XX services and training. Escalating this by a Cost of Living increase of 7 percent we can estimate an expenditure of at least $27,845,105 for fiscal year 1982. Since our 1982 allotment is only $26,564,047, this means an overage of $1,281,058. We will not be able to pick up this amount with existing state appropriated funds. Obviously expenditures will have to be reduced which means direct services to clients will have to be reduced.

Secondly, the decrease in Title XX funds noted above will also impact on funds in other program areas, such as Child Welfare. Since 1975 Mississippi has funded its social work staff almost entirely out of Title XX funds. This has allowed us to use our IV-B service funds to cover those services to children which were not fundable under Title XX such as medical services, psychological and other specialized testing, personal needs, special training for workers, etc. If we have to pick up some of the slack left by the decrease in Title XX funds with Title IV-B funds then these services will also be effected.

The third area of impact is more subtle than the other two, thus harder to measure or even described. It involves the lack of federal regulations and guidelines. For instance, even though the five national goals are still mentioned in the Block Grant Act there seems to be much less emphasis placed on the provision of services directed toward them. Will a state be able to ignore one or more goals entirely in its provision of services? Also the federal effort at deregulation will require states to become the regulators. This will put an additional administrative burden on the states possibly causing an additional drain on "service" dollars from Title XX.

These same negatives do have a positive effect also. Because of a decrease in dollars we must really examine what we are doing and how. Is Title XX funding services which are more appropriately related to other funding sources? Are we in fact duplicating services provided by other agencies? Have we been providing services that are nice to have but do not really meet our most severe needs? Can we manage better to make services more cost effective? Also as States we now have an even greater opportunity to study and hopefully fulfill our own needs, and in those ways and methods best suited to our state.

If you have any questions on the above material, call Mr. Morris J. Priebatsch, Director of Social Services or Mrs. Jane Emling, Administrator at 601-354-0341, extension 242.

Chairman **FORD**. Thank you very much, Mrs. Emling.

At this time, the Chair would like to recognize Mr. Anthony of Arkansas.

Mr. **ANTHONY**. Thank you, Mr. Chairman.

I would like to talk to my good friend, Ray Scott. I did have some questions that I would like to ask about the Arkansas experience with the new Federalism.

As you well know, the reconciliation bill that passed the Congress this summer made numerous changes to tighten eligibility for those eligible for AFDC and food stamps. There is no need for me to go through them, you have them, you have to work with them.

With AFDC there were many, many changes as far as reducing the income limit plus the income disregards and some of the other work incentives.

Food stamps were also changed, many of the eligibility requirements and the income levels.

To the extent that the Department of HHS estimated in March that over 600,000 families across the Nation would be affected by the congressional action, in Arkansas about 4,180 families were expected to be cut off welfare completely, another 2,880 would have their benefits reduced, or a total of 24 percent of the Arkansas AFDC families were affected.

In your opening statement you've already said because of budgetary problems in the State of Arkansas, that medicaid cannot undergo any more cuts and as a result of a $12 million State cut, over 30,000 families have been affected by having their benefits reduced, and I guess to some extent you've already answered the question, but I'd like to go a little bit further and have you on the record.

Specifically, how has Arkansas responded and how do you think Arkansas will respond to this shift from Federalism to greater State responsibility?

Mr. SCOTT. Congressman, I think we're going to respond very cautiously. I think the impact came October 1 and as my colleagues here at the table know, we frankly had very little option when it came to October 1 in terms of responding to changes in the law.

I guess again the primary concern from our State perspective comes—as you are well aware from our economy. It took a real nosedive last year which directly affected the amount of general revenues the State legislature had available to put in all these programs. So as I was saying, really when the Federal budget cuts were enacted or put into effect October 1, that really represented round two for us in Arkansas. I don't know about some of the other States around the country, but we had already gone through some fairly serious re-examination and some very difficult decisions in July. We laid off over 400 people in our department since July 1, tried to cut administrative costs. As I said, we have already cut the medicaid program and some of these kinds of things.

So when the Federal cuts came October 1, that was really round two for us. It just simply compounded our response.

Mr. ANTHONY. Would you agree with the Governor of Tennessee that you can't make up the cut in the Federal budgetary level with State and the administrative overhead?

Mr. SCOTT. I would agree, definitely. You know, I think all of us should be quick to admit that there is obviously fat in any budget, there is obviously administrative costs that can be cut. And I think again in my response I have tried to indicate that we have, by laying off over 400 people, closing some county offices. My point I guess is that there is a limit to which you can do that because when you are dealing in the kinds of programs and services that we are, it takes a certain amount of people to serve people.

Mr. ANTHONY. To deliver services.

Mr. SCOTT. When you close a county welfare office or a county social services office, that means those people in that geographical area are going to have to go somewhere else to get the service.

Mr. ANTHONY. Let me ask you a follow-up question. Since you are not going to make the savings in administrative costs, and I think we all knew that to begin with, but that was one of the selling points of the new Federalism, our Governor recently stated that when you had this major cut in AFDC of about 24 percent, that 97 percent of the people could work if they wanted to, obviously a very popular political statement to make, but you are the director of that program, can 97 percent of the people in that program go to work if they wanted to?

Mr. SCOTT. Congressman, you have always been one to get straight to the heart of the matter.

I did not advise the Governor that 97 percent of the people on public assistance could go to work and I simply, obviously don't agree that 97 percent on the AFDC rolls in Arkansas could be working. Again, I would like to qualify my comment by relating that to the fact that there are 85,000 people who are currently unemployed in Arkansas.

Mr. ANTHONY. It's a strong point and I'm trying to make a point for public education as much as anything, because it does become a very sensitive political issue. If we are going to cut on the Federal level, give you the responsibility and you cannot make the savings on administrative costs, you already have an unemployment that exceeds the national average, you have people that are working poor that you're trying to get to go to work on the WIN program and you have a State that has a poor tax base to begin with, no political courage to raise the taxes and the only thing we can look for in the State of Arkansas, if I am interpreting everything correctly, is more of less.

Now just so the record will be clear on this and that is is not coming from you, that it's coming from me, under the Arkansas work incentive program, it's only in 30 counties, 50 percent of the State's AFDC population reside within those 30 counties but only 38 percent of those are employable; that is, required to register with WIN. If you extrapolate to the rest of the State 62 percent of the AFDC adults are exempt from the work requirement, yet the Governor only claims 3 percent so actually it's only 38 percent who could be expected to work. I would just like for the record to be clear that if we have got the working poor that is drawing welfare or could go to work, we are talking about 38 percent, we are not talking about 97 percent.

Another point that I think needs to be made very clear for the record is that we are also talking about 73 percent of Arkansas' total recipients are children and they are forced to survive on a benefit that are only 52 percent of the need standard established in 1975. We are also talking about a CPI that has increased 135 percent between 1970 and 1981; yet, we have only increased their AFDC benefits 44 percent.

And I guess the question I am asking all of them to you is what are the options, what is being done to break the cycle of the welfare dependency. That was a question that I wanted to know of the mother of three children drawing welfare payments and what are the alternatives that are available to these people. What do you foresee?

Mr. SCOTT. Congressman, I think you hit on one of the real issues that I and the State obviously don't propose to have the answers to, but this whole relationship which many of you gentlemen have already picked up on today, the relationship between what happens when somebody goes to work and our ability to continue payment of benefits to that person, that family or that individual.

I am not trying to pass the buck, but it's something that has to be dealt with at the national level. I think, you know, the prospects for us to break the cycle of poverty, unless the economy, the overall economy, turns around, is not very positive.

Again, we are talking about trying to create minimum wage opportunities for the people on public assistance. We are probably going to be fairly successful in that if we can get all of the various pieces of the bureaucracy properly working together, the Employment Security Division and my various agencies.

The net effect that that is going to have on the overall size of the public welfare program is obviously, according to your statistics, somewhat minimal.

Mr. **Anthony**. I guess that troubles me, and the answer to everything is a strong economy. If a strong economy didn't come around for 2 or 3 years, what are these people going to do in the meantime? In other words, their situation is getting worse, not better. They are not even holding on, they are backsliding and they are backsliding at a time when we are going through a recession.

What also bothers me is the political realities. I could speak more of Arkansas than I can to any other state but let's say the good life shows up in 2 or 3 years, we have got the political reality of going to the State house and trying to get them to carve out of growing revenues a politically unpopular program and I guess I wish I had the Governor here so I could ask him the same question the Governor of Tennessee responded to; are you willing to propose revenue measures to the State legislature in order to hold these people at the same level or to at least hold the slide back to some reasonable norm, because it appears we are not going to be able to hold it level, the best we can do is keep the slide back from being too severe.

Mr. Chairman, if you could bear with me, I have just one additional question I would like to ask, something that I think is very important to the State of Arkansas and I think again it's a misunderstood problem.

Unfortunately my State has the second highest teenage pregnancy rate in the country. I happen to have two teenage daughters and I was very sensitive to that when I was in the State of Arkansas and moved them to the District of Columbia only to find out that the District of Columbia is No. 1. So I'm still the concerned father of two teenagers.

Well the information I have been able to gather up is that the State is planning to shift family planning money out of the cap agencies and into the general pool within the Health Department to be distributed by the county agencies, and my question simply is this, what will the Department do to insure that these moneys get into those family planning programs so that we can turn the tide and slide from No. 2 in the Nation in a statistic that I think is right embarrassing, and hopefully slide to No. 49 and we can again thank God for Mississippi, no harm or ill will intended. It just seems to be a common statement that the two States trade back and forth. We have this mutual admiration society going, we struggle and try to get ahead of one another.

Obviously teenage pregnancy creates health problems and Mr. Waxman is aware of those, most of these people are between 14 and 19 years of age. What are we going to do to try to stop this? What are we going to do to insure that those moneys get there?

Mr. SCOTT. Congressman, I have to be quick to admit that that happens to be one small piece of the program that I don't have direct responsibility for, but it is my understanding that after reviewing the situation in the Governor's office, the decision was that the established health care delivery system represented by the county health units out there could do a better job of getting to that need and meeting the need than could the private, nonprofit sector through which they had been contracting. And as I understand it, that's where that decision stands now. So what I understand the health department is planning to do of course is to simply put more resources into that family planning program.

Mr. ANTHONY. Well, my last question is this, seven counties out of my district with 14 percent of the total AFDC population, yet in August they represented 26 percent of the families cut from AFDC rolls and I just want to know why.

Mr. SCOTT. I assure you, Congressman, it was nothing personal.

Mr. ANTHONY. I am curious, and I would like to have some followup information as to why that percentage—it happens to hit on my district almost twofold versus the others.

And I yield back the balance of my time.

Mr. SCOTT. Congressman, if I could make just one quick response to this whole issue of the shifting responsibilities and the political realities the Congressman addressed, it's my understanding based on a recent survey that was done, that when people in the State were asked whether they wanted to see services reduced or taxes increased, they obviously said they preferred to see services reduced.

I think again, what has come home over and over again this morning and hopefully will continue to come home over and over again is that unless you are directly affected by that reduction in services it is a fairly innocuous kind of response to give. But obviously for the folks that are affected, it's a very, very serious problem.

I think again the political realities in our State at this point is that there is simply no sentiment for any kind of tax increase to increase the State revenue base to allow us to assume some of that responsibility that is being shifted, and I don't frankly perceive that changing in the next 12 to 18 months unless you have a better feel for it than I have.

Chairman FORD. Chairman Rangel.

Mr. RANGEL. Thank you, Mr. Chairman.

Mr. Scott, what you just said is not novel to the State of Arkansas. I don't think anyone wants increases in taxes but I think one of the reasons why they don't particularly want to reduce services is because they always believe, as you pointed out, that it's the other fellow that would need the service.

And I have found that elected officials have a responsibility to try to create a climate for people to be as fair as they believe they can afford to be. We can't just leave you appointed officials out there on the front line to be caught in an embarrassing position. Your business doesn't allow you to enjoy the political rhetoric.

It is not just your Governor who runs around saying that these people should be working. It is a well known fact that we are dealing with children. It's pretty bad when you get to the point where you are calling people up for jobs that don't exist. There comes a time when we in the Congress find that we don't have the political courage to stand up and do what's morally right because Governors and others are running around saying the problem doesn't exist.

Now I think we are past the point that we can depend on those who are already overtaxed to come forward and say I can carry some more of the burden. So if we forget that, I wonder whether any of you as professionals can point out what this is going to do in terms of State cuts in programs.

If you cut off assistance to the sick or you cut off medical benefits, it doesn't mean that the people in Arkansas or Mississippi are going to close hospitals. If you deny a family an opportunity to get a job or to receive benefits for food, I doubt seriously whether anybody is going to starve in either State.

While many people may have to spend more time in nursing homes and hospitals, you are not going to really close the hospital or kick them out of the hospital or the nursing home, and certainly 17-year-old kids with all of the energies that teenagers possess, if they don't have a job won't mean that they are not going to find some way to get ahold of a couple of dollars, whether it be legal or illegal.

Have any of you as social workers been able to interpret the fiscal implications, forgetting that you are trained in human resources, of what somebody will have to pick up because we choose at one time to balance the budget? Does it really balance the budget, Mr. Scott?

Mr. SCOTT. Let me try to relate it the way a physician in our State related it to me when we implemented medicaid cost containment. We were saying that would be starting to limit the number of hospital stay days by diagnosis, which my Mississippi counterpart probably can relate to. The president of Blue Cross-Blue Shield program in the State came to me at the end of that legislative hearing and he said that's not cost containment, that's cost transfer.

He was speaking exactly to your point. His point to me was while you may be, saving medicaid dollars, who do you think is going to see that increase in premium costs and those kinds of things. Unfortunately, he's probably correct because we are talking about, as the Congressman well knows, small rural hospitals that don't have 500- and 800-bed suites, we are talking about 100–150 beds and smaller kinds of hospitals that are going to be directly affected by that kind of cost containment you know, you are only going to get to stay in the hospital 3 days for this kind of treatment, they have already used up their benefits or that treatment regime exceeds that, then the hospital somehow has to either cover that cost, write it off or something. So there is some cost transferring going on in this kind of a process, specifically in the medicaid program, because most of those dollars flow through the private health care sector, physicians and pharmacies.

Mr. SIMMONS. Chairman, Rangel, if I might make a comment concerning Mississippi.

When I spoke of the limitations put on our program when we reduced it down to 12 visits a year for the doctor's office that we would pay for, we had some 13,000 Mississippians who used their 12 visits up and the remainder of the year if they went to see the doctor, the doctor had to write it off or some other means. We had over 3,000 that used all of their hospital days up. Now these people, if they needed to be in the hospital, most of them continued to be in the hospital, but somebody else had to end up paying the bill, it was transferred to somebody else, either the local community, local tax subsidy, or the other people that were in the hospital.

Mr. RANGEL. Well I do hope that for the record you might be able to provide those type of examples. We have heard the emotional part with those directly affected and certainly we have heard the political part which says give the President a chance and see what happens. But I hope that in your capacities you might pick out certain programs, the ones that were referred to by Mr. Anthony. Is there a relationship between training a teenager as to what their bodies are all about and teenage pregnancy; is there a relationship between unemployment of teenagers and crime; is there a relationship between preventive health care and the number of days people will ultimately have to stay in hospitals? I would hope that in a nonpartisan and nonpolitical way we might be able to take some of your statements on the program you have the responsibility for administering and try to incorporate them in the political decisions that we make in Washington.

Thank you, Mr. Chairman.

Chairman FORD. Chairman Waxman.

Mr. WAXMAN. Thank you, Mr. Chairman.

Mr. Scott, what health care provisions are available in the State of Arkansas for those women and children who are no longer eligible for AFDC?

Mr. SCOTT. Probably the only Government supported kind of health care program would be your maternal and child health programs administered through the State health department, which is a separate State agency.

Mr. WAXMAN. Otherwise, they are really out of luck unless they are treated as charity cases by the hospital and/or doctors, is that correct?

Mr. SCOTT. That is basically correct. We do have a fairly extensive medically needy program in our State, but again those people, as I understand it, do not qualify for those.

Mr. WAXMAN. So for the working poor, families trying to become self-sufficient and independent and not receive welfare, if they've worked themselves out of welfare, they've also worked themselves out of medicaid and in doing so, they generally work themselves out of any coverage, since most low-wage jobs don't offer health benefits.

As I understand what I was hearing from both Arkansas and Mississippi, your medicaid programs are becoming somewhat stabilized by virtue of the money you are no longer paying to the AFDC recipients in cash assistance and medicaid coverage. Because those mothers and children are no longer making claims on medicaid, you are able to continue to pay for hospital care and nursing home care for elderly and disabled recipients. If that's true, I would like to hear your response to Secretary Schweiker's proposal that would put a cap on the Federal share for medcaid long-term care services.

Mr. Simmons?

Mr. SIMMONS. Mr. Chairman, I think you have hit on one of the most serious problems that we face, and that is long-term care, in trying to run a medicaid program in the State of Mississippi. As I said earlier, we had four programs that took up 95 percent of our budget and out of those four programs the long-term nursing home care takes up 40 percent of the 96, and we are spending 40 percent of our medicaid dollars to take care of between 3 and 4 percent of our medicaid eligible population.

Mr. WAXMAN. Forty percent of medicaid dollars go to 3 to 4 percent of your Medicaid population. Those are the people in nursing homes?

Mr. SIMMONS. That is correct.

Mr. WAXMAN. If we cut back on the Federal share of medicaid payments nursing homes, what would happen?

Mr. SIMMONS. The only thing we can look for as we face a substantial cut in the medicaid program will be looking at eliminating some coverage in nursing homes, maybe eliminating completely covering the intermediate nursing program or looking at further cuts or elimination of the drug program. We've got two major optional services that we still have to deal with.

Mr. WAXMAN. The intermediate nursing home residents may not be able to get coverage to stay in the facility and the drugs they need just to sustain them may be cut out of the program?

Mr. SIMMONS. That is correct.

Mr. WAXMAN. Mr. Scott, what will happen in your State?

Mr. SCOTT. I don't have all the statistics at hand, but I know the long-term care program in our State represents about half of the total medicaid program. And again, the statistics are similar nationwide, the number of people in the nursing homes with this kind of thing, we would probably have to do something similar. We have a minimum care nursing home program, which is State optional and something we are working very hard to try to do right now is develop home based care, which we call the alternative to long-term care program. We would probably be faced with the prospect of eliminating minimum care as a category of medicaid in long-term care facilities.

Mr. SIMMONS. May I add another comment?

We developed in the State of Mississippi, knowing that any time you reduce benefits for services you hurt people, last year we developed a system to limit our number of nursing home beds that we would pay for in the State of Mississippi and this was an attempt to not funnel so much money into nursing homes and provide som additional services for the people that were on outpatient, to see a doctor.

We submitted a plan change to the Secretary of HHS and he had it for 1 year and 20 days before coming back and disapproving it. Since the enactment of the reconciliation bill he said he would reconsider it, if we would resubmit it. We resubmitted it on the day the reconciliation bill was signed by the President and there has been this much time later and he still hasn't responded on the reconsideration. So we feel like this is one way we could do in the long-term care field toward redistributing some money, but yet we can't get the flexibility out of the Feds in order to do it.

Mr. **Waxman**. Would it be fair to say that the message that we could carry back to President Reagan is if you are going to cap the long-term care part of medicaid, you have got to figure out how to cap the aging process?

Mr. **Simmons**. That's correct.

Mr. **Rangel**. I think he has done that.

Chairman **Ford**. Mr. Bailey.

Mr. **Bailey**. Thank you, Mr. Chairman.

In your respective States, can you tell me—I am sure you don't know figures—but briefly what your tax structure is? Do you have a graduated income tax in any of your States? Where do you derive your State money from? Can you tell me that?

Mr. **Simmons**. I can make some generalities. We have a 5-percent sales tax throughout the State, we have a 3-percent income tax on the first $5,000 a year.

Mr. **Bailey**. A flat 3 percent on the first $5,000?

Mr. **Simmons**. And 4 percent on all above that, in State income tax. But I don't know—we probably have the heaviest gasoline tax of anybody in the country.

Mr. **Scott**. I don't know all the specifics. We have a 3-percent statewide sales tax. Recently we have given local governments local sales tax options for an additional 1 percent, which is creating some interesting dilemmas around the State, some of the communities are adopting it, others are not. As far as the graudated tax structure in Arkansas, Congressman Anthony would be better equipped to answer that than I am, I am not exactly sure how the personal income tax and corporate income tax——

Mr. **Bailey**. Well the answer though is that in terms of resources, as a practical political matter, what you are saying is that you simply cannot, given your State tax structure and the climate in the State, you simply cannot go make it up. In fact you have got a $60 million deficit. You don't have anywhere you can go for that income.

Mr. **Scott** [continuing]. In our State, I think the classic dilemma is the tax that raises the most revenue is the sales tax, which is always the most politically difficult one to implement; the so-called sin taxes, alcohol, cigarettes, they don't generate enough money in our State relatively speaking to make it work the battle that is usually fought to increase those taxes.

Mr. **Bailey**. That's good groundwork for my next question.

What is the percentage relationship between Federal taxes paid and Federal moneys received in your respective States, do you know? You may not know that.

Mr. **Simmons**. I can't give you that.

Mr. **Anthony**. If my colleague will yield.

Mr. **Bailey**. Yes, I will.

Mr. **Anthony**. Arkansas is a net importer of Federal dollars rather than an exporter, it's very close, but we are still in that import position.

Mr. **Bailey**. And you are about to become less of a net importer.

Mr. **Anthony**. More or less.

Mr. **Bailey**. I don't have any further questions.

Chairman **Ford**. Thank you, Mr. Bailey.

You know, President Reagan promised to maintain a safety net for the truly needy. We have heard from witnesses this morning from both Arkansas and Mississippi who seem to feel that they have slipped through the safety net. I would just like to know from Mississippi and Arkansas, is there a message that we can carry back to the President that relates to the safety net, to protect the truly needy?

Ms. **Emling**. I don't know whether this is really what you are talking about, but because of Mr. Rangel's questions and so forth, I need to expound on this a little bit. When you talk about cutting social services dollars, for instance, you are cutting homemaker services for the elderly, which are used in an effort to keep these elderly in their homes and out of long-term care. So you cut social services—cutting homemakers—and yet you're also cutting long-term care. Where are they going, where are these people going to go? Not everybody is going to end up with their families to take them in, so there is something—something's wrong somewhere.

I don't have the expertise, the knowledge, the background to really spell it out, but there's something lacking. We cannot cut in one area and then say we are going to pick it up someplace else when we are not. We want everybody to go to work, we say 97 percent of the people for instance in Arkansas should be working, yet we cut the social service dollars that provide day care for those working mothers. You know, that's what I am saying, everything is a paradox.

Chairman **Ford**. Would you agree that there are some of the truly needy defined by President Reagan who are slipping through that safety net at this point?

Ms. **Emling**. I believe they will be in Mississippi.

Chairman **Ford**. We will be off the record for a moment so the court reporter can change the tape.

[Pause.]

Chairman **Ford**. We were off the record and I would like to go on the record and submit that to the court reporter to be made part of the record, if you don't mind.

Mr. **Bailey**. All right.

[Mr. Bailey's off-the-record comments are inserted as follows: Arkansas: Federal burden taxes paid, $3,291,000, Federal benefits received, $3,957,784,000. Mississippi: Federal burden taxes paid, $3,246,000, Federal benefits received, $5,036,200,000. Tennessee: Federal burden taxes paid, $7,168,000, Federal benefits received, $10,417,874,000.]

Mr. **Scott**. I would like to echo my colleague from Mississippi's comments that you use the safety net concept, the inter-relatedness of these programs, again the fact that everybody that is AFDC eligible is medicaid eligible, the relationship between title XX social services programs and AFDC client populations, and I guess it's a fair assessment, in our State at least, because again of our inability to pick up those reduced Federal dollars with State dollars that we don't have, that safety net is stretched pretty thin.

Chairman **Ford**. President Reagan promised to maintain a protection safety net for the truly needy. Are there those in your State slipping right through that safety net?

Mr. SCOTT. I would have to say there are.

Chairman FORD. That's all, thank you very much.

Are there any other questions from any of the committee?

If not, the committee would like to recess for lunch purposes for approximately 30 minutes. When we reconvene I will call panel 3 to begin the afternoon session.

Thank you very much, the committee will stand in recess until 1:50.

[Whereupon, at 1:20 p.m., the subcommittees recessed, to reconvene at 1:50 p.m.]

AFTERNOON SESSION

Chairman FORD. The committee will come to order.

We will now call panel 3 regarding medicaid and child health care. The president of the City of Memphis Hospital, Mr. William Jackson; the medical director of the Children's Hospital in Little Rock, Mr. Patrick Casey; the University of Tennessee's Medical School Director, Garland D. Anderson and the director of maternity and family planning of the Mississippi State Board of Health, Elin Holgren.

We welcome all of you before the committee today.

Our first witness will be Mr. William L. Jackson, president of the City of Memphis Hospital.

STATEMENT OF WILLIAM L. JACKSON, PRESIDENT, CITY OF MEMPHIS HOSPITAL

Mr. JACKSON. Thank you, Mr. Chairman.

Chairman FORD. Mr. Jackson, will you talk into the mike please?

Mr. JACKSON. Mr. Chairman, I am William Jackson, president of City of Memphis Hospital. I appreciate this opportunity to share with you a description of the City of Memphis Hospital and the patients it serves.

We at the City of Memphis Hospital are indeed aware of the rising health care costs and the efforts of Federal, State and local governments to keep pace with the financing of the medical assistance programs, medicaid and medicare.

As a result of increasing health costs, many hospitals are experiencing financial difficulties. Financial stress, of course, is not a new situation to hospitals which serve indigent patients. The City of Memphis Hospital, like many facilities developed to serve the poor, has suffered from years of inadequate funding. This has led the public to believe that medical care provided to those who cannot afford it costs less than care provided to those who can pay.

Local funding, as a result, has also been reduced substantially for the last few years.

During our testimony to the Subcommittee on Health in April, 1980, we indicated that the City of Memphis Hospital suffered losses of $1.6 million in 1978, $6.3 million in 1979 and $3.4 million in 1980. This situation has continued to deteriorate until this year we are currently facing a $7 million deficit in our current operations budget and obviously potential bankruptcy.

Additional cuts in the medicaid program will certainly be disastrous to our already strained financial condition.

Our hospital provides medical care to over 200,000 individuals each year. These patrons are unsolicited, they come of their own accord, obviously because many don't have any other options available to them.

When the medicaid cuts were enacted in late summer, several hospitals in Tennessee announced plans to limit services to medicaid patients. Our hospital was therefore faced with not only reduced funding for our current medicaid patient load, but with the possible additional financial burden on patients who have been turned away from other hospitals. The effect of the medicaid cuts already enacted this year will result in a reduction of about $1.5 million in revenue to our facility.

The application of two particular regulations included in those cuts, those being restricted medicaid coverage and a ban essentially on weekend admissions, are posing serious financial implications for us.

During the months of September and October just passed, 72 claims filed as emergency weekend admissons were rejected as being nonemergent, an additional 28 claims were rejected during the same period of time because of restricted coverage.

I would like to share with you a few examples of the rejected claims. We will not be providing any patient names to preserve confidentiality, and for your information these are cuts that have already been put in place, they were effective, I think, August 1, to address the current fiscal year's problems in the State medicaid budget. One of those requirements is that they limit emergency—limit admissions on the weekend.

Now keep in mind that we operate a hospital that doesn't have private patients who go to their private doctors and the doctors decide that, you know, you come to the hospital on Monday or Tuesday or whatever. The majority of these patients are very ill, they go to the emergency room and when they are ill and the doctor makes that determination, that's when they admit them.

These are just two examples out of the 72 that have been rejected so far as being nonemergent. Patient A was admitted on a Saturday, hospitalized for 12 days for mitral stenosis, which is a cardiac condition, cerebral palsy and unspecified anemia. The claim was rejected as being nonemergent.

Patient B was hospitalized 18 days for diabetes mellitus and chronic homocystic anemia syncope episode, that's a condition which causes blackouts and unconsciousness and obviously if somebody has that and goes to a hospital on Saturday and they get admitted, I would think and I'm sure the doctors thought also that it was an emergency. However, that claim was rejected as being nonemergent.

Patient C was hospitalized 18 days for iron deficiency anemia and urinary tract infection. The claim of $5,824 was rejected because of the patient's restricted medicaid coverage. That's within the changes in eligibility that were imposed as of August 1.

Rejection of claims similar to these have reduced the hospital's revenue by over $85,000 in September and October alone. This and proposed additional cuts in medicaid threaten the financial viability of the City of Memphis Hospital.

Because we serve the poor, the chronically ill, the trauma victim, the uninsured, many patients aren't acceptable to other facilities, we are dependent on adequate medicaid coverage for qualified patients. We are penalized under the current medical formula because of our large teaching and ambulatory care activities. Many costs associated with teaching and outpatient care are eliminated from the cost formula for reimbursement, even though outpatient service has been identified as one of the most cost-effective ways of providing health care.

Since essentially 9 out of every 10 patients who visit our facilities only direct contact is through the emergency room or one of our clinics, we underwrite a large percentage of the cost of providing that care even to the medicaid patients. When I say we, I mean basically through the local tax base group.

It is difficult for anyone to realize the magnitude of providing indigent care at the City of Memphis Hospital, but consider these facts.

The City of Memphis Hospital emergency room, with approximately 80,000 visits annually, is among the busiest in the country. Approximately 10 percent of all infants born in the whole State of Tennessee are delivered at City of Memphis Hospital alone. Our system of 52 specialty and subspecialty clinics with over 100,000 visits each year is one of the largest in the region. We have at our facility as well one of the top paranatal centers in the country and I am sure you will be hearing a little bit about that from Dr. Coronas, if he has the opportunity a little later.

Training is provided for hundreds of medical, nursing and allied health professionals each year at our hospital. Yet, we cannot continue. Unless adequate revenue is available, health care for the poor is in jeopardy. Many urban and/or public hospitals are faced with similar situations. It is ironic that in a nation where the best medical care is available, access is threatened for those who need it most.

In closing, we urge you, as we have in our testimony to the State of Tennessee, to please assist in reviewing proposals for further cuts in medicaid very, very carefully. Unless alternative financing or exceptions are made for special facilities such as ours, services needed for a large segment of the population will just be basically unavailable.

Thank you.

Chairman FORD. Thank you, Mr. Jackson, and I would at this time like to ask Dr. Coronas to come up and be a part of this panel. We will call on you, Dr. Coronas, and ask you to respond to questions. I have known him and worked with him at the newborn center, one of the finest newborn centers in the country. We would like to have you as part of this panel.

Dr. CORONAS. Thank you.

Chairman FORD. Dr. Casey?

STATEMENT OF PATRICK H. CASEY, M.D., DIRECTOR, GROWTH AND DEVELOPMENT CLINIC, CHILDREN'S HOSPITAL, LITTLE ROCK, ARK.

Dr. CASEY. I appreciate the opportunity to address you.

I don't have formal testimony. I hasten to add in the beginning that the title is not correct. I am not the medical director of Children's Hospital, I am the director of the growth and development clinic there. My boss wouldn't be happy to know that I was posing as her.

I would like to just describe to you some of my perceptions as a medical clinician. My perceptions in seeing children day in and day out in my special clinical setting allows me to have some concrete understanding as to how the recent cuts have affected the lives of people.

I would briefly like to tell you about Arkansas Children's Hospital in Little Rock, Ark. It is the only tertiary level hospital in Arkansas.

It is a primary teaching hospital for the department of pediatrics at the medical school. We have approximately 40 full-time teaching pediatricians at Arkansas Children's Hospital. I happen to be one of the full time teaching pediatricians at Arkansas Children's Hospital and I am the medical director of the developmental center at Children's Hospital and a separate clinic which we call the growth and development clinic.

In these two settings, I have had the opportunity for years to see day in and day out children who have special needs and I am in sort of a unique position to appreciate how the recent Federal and State level cuts have impacted on these people's lives.

I would like to briefly tell you about a clinical condition which is directly relevant to this testimony. The clinical condition is one that we call in pediatrics, failure to thrive.

Basically failure to thrive is a descriptive label that we utilize in children who don't grow at a normal rate, usually in the first couple years of life.

We know across this country now the vast majority of children who fail to thrive do so not for medical reasons; that is, not because they suffer from an organic medical disease, but they do so because of lack of adequate nutrition or nurturing on the part of their families. That is, their social and environmental situations do not meet their needs.

Before I get somewhat more concrete and go into some patient needs, I would like to give a couple of comments regarding some not directly medical aspects of the recent cuts.

As the director of the Developmental Center. I see a large number of children with developmental disabilities.

In Arkansas we have a service called Developmental Disabilities Service. That office, from my perspective as a clinician, has been decimated by the cuts. Arkansas no longer provides diagnostic evaluations for children who have developmental disabilities.

As far as I know, Arkansas only has 13 field workers in the entire State to deal with the thousands upon thousands of children who suffer from developmental disabilities.

And finally, Developmental Disability Services have drastically reduced their support for the community day service programs.

That is one special perspective that I hope that some of the other panel members will address, but from my perspective as a medical provider, I feel that has been a major area of problems.

The second has to do with the educational system. I am going to go over that relatively quickly because I think this panel is not addressing that.

Public Law 94-142 has put a lot of stress on the educational systems without very much financial support to back up that stress. Families are being given opportunities to require school districts to meet their children's educational needs but in many cases, and in most cases in Arkansas, the school districts are not capable of meeting the needs of special children.

And, finally, to address the effects of medicaid and AFDC cuts as I see them in Arkansas clinically, as you may have heard from an earlier panel, there have been 8,300 children, as best I can tell, who have been removed from AFDC support in Arkansas.

Obviously, this removes them from medicaid support as well. The decision in Arkansas was made to transfer $18 million away from AFDC support to medicaid primarily to support nursing home services, as I understand it.

Second, AFDC recipients across the board received cuts in their benefits, obviously, therefore, providing less money for food and clothes, transportation to required services, as well as housing, utilities, and so on.

In concrete terms, as best I have been able to tell, the payment to a family of four has been reduced from $188 per month to $142 per month to a maximum of $230 for a family of nine.

For a year, that is $1,700 for a family of four.

This was done, as I understand it, by arbitrarily decreasing the payment that was provided to families according to a minimum standard of living which in Arkansas is defined as $273 per month for a family of four.

I think finally, perhaps from my perspective, one of the most important aspects of the medicaid and AFDC cuts will be, in Arkansas, decreased access to health care. At best that will be decreased access to health care of choice and at worst that will probably mean access to no health care.

From my perception, in Arkansas we may be heading to the two-tiered system of health care as it was in the fifties and before that; that is, charity health care and then private health care.

This is because, as has already been described, many people have been removed from medicaid benefits entirely. Medicaid support, as has been described, is being cut back, private doctor fees are being frozen, the payment to hospitals is being tightened up, and is perceived as less than acceptable from the hospital perspective.

So, in general, the situation has gone from an intolerable one to more than intolerable.

I would like to describe for you, to make this somewhat more concrete, a couple of patients of mine. Again, I won't mention names, but I first saw N. J. this July on referral to my Growth and Development Clinic, the children's clinic that I described I see failure to thrive children in.

At that time, in July, N. J. was 10 months of age. His weight was less than 12 pounds, which is the average weight of a 2-month-old baby and the typical weight of a 10-month-old being 21 pounds.

N. J. had been hospitalized in another hospital 3 months prior to referral to me. He was shown to grow well with simple feeding in the hospital and was sent home to his rural community in southeastern Arkansas; that is, in the delta region of Arkansas. The local public health nurse wasn't able to see this child because the family did not have transportation to bring the child in to the local public health clinic.

Finally, after much persuasion from our end, the child was transported to Children's Hospital, at which time he was hospitalized for several weeks and was again shown to grow very easily and well with simple nutrition.

We have developed an aggressive follow up plan for this child and the last time I saw the child, the child was doing quite well.

I would like to describe to you the social situation that this child lives in. As I said, he lives in the delta region of Arkansas, which is quite rural. He lives with his father and his unwed mother, who was at the time 8 months pregnant. She had a 2-year-old second child. The family income for those four people was $133 from AFDC and $76 food stamps.

The father had no job and was unemployable according to the social worker locally. That was before the cuts. As best I have been able to tell—I tried to gather this information for this hearing—the medicaid benefits were reduced to less than $100 since the cuts.

A second case for your information, L. G. is from Little Rock, 21-month-old child at this time, who lives with his mother, an older sibling who is now 3, a twin and a younger sibling who is less than 2—who is less than 1.

The income for that family at this time is $142 per month. It was reduced from $188 per month. Their food stamps were raised $8.

That mother doesn't have transportation to get to health providers, can't transport her child to day care services which we are desperately trying to find for that child. We hospitalized L. G. in July again of this year. He gained weight well. We have been able to find a place for him in a local day service program where he receives two meals a day and he is receiving development stimulation. His course has been quite acceptable and he is now rebounding toward a normal weight for a child his age.

Gentlemen, I think my perception of the situation in Arkansas is that it is somewhat intolerable for a large percentage of children and their families. I don't believe in our State we can afford further cuts.

Chairman FORD. Thank you very much.

Ms. Elin Holgren.

STATEMENT OF ELIN ANN HOLGREN, DIVISION DIRECTOR, MATERNITY AND FAMILY PLANNING, MISSISSIPPI STATE BOARD OF HEALTH

Ms. HOLGREN. I am glad to have an opportunity to be here today to share the problems faced by the mothers and children in Mississippi.

I have a typed statement but I decided while sitting in the testimony this morning, to just pick out what I consider the most important issues from my statement.

Chairman FORD. Your entire statement will be made a part of the record.

Ms. **Holgren**. Yes, thank you.

I have chosen to primarily focus on the health care issues since we have had extensive testimony on medicaid and ADC cuts. I think you will see from my statement how all these services interrelate.

First of all, Mississippi consistently ranks among the top few States having the highest infant mortality in the Nation.

Mississippi has one of the three highest teenage pregnancy rates in the United States.

Some 42.1 percent of Mississippians live at or below 125 percent of the poverty level income.

Of the 44,000 births each year, 21,000 are to women whose income falls at or below poverty level income.

Only single parent families can qualify for medicaid, except in a few very special circumstances.

Health services for mothers and children through maternal and child health title V funds are provided, or were provided, in county health departments throughout the State.

In 1981, we served 18,000 pregnant women and 47,000 infants received health services through the county health department system. Severe reductions in maternal and child health funding already promise to limit the provision of these services.

Additional cuts, such as the additional 12 percent proposed by the Reagan Administration, would wipe out the progress already made toward creating a system of care in this State which has the greatest need and the most limited resources.

We have had additional Federal dollars in our State that have shown that a system can be developed and those dollars will disappear as well as a portion of the basic grant.

Can the State make up the difference of the loss of Federal dollars? Our State officials say "no." I think you heard that testimony today from the medicaid and title XX testimony.

We are in fact facing as much as an 18 percent decrease in our State health—support for our State health services. For those of us who count healthy babies as our most precious national resource, the question at this point is unanswerable.

To exacerbate the problem, we expect to receive, during 1982, reduced funds needed to provide family planning services for poor people who wish to limit their families until such time when they can meet the economic responsibility for them. That will probably come in the form of title XX reductions.

Our situation is untenable. Where do we go? How many babies will have to die before the problem again becomes a national issue?

Thank you.

Chairman **Ford**. Thank you.

[The prepared statement follows:]

STATEMENT OF ELIN ANN HOLGREN, MISSISSIPPI STATE BOARD OF HEALTH

It is my pleasure to have the opportunity to share with you today the realities of the health care dilemma facing the mothers and children of Mississippi. Children are our country's greatest natural resource. Healthy children are the product of healthy women who receive quality care during pregnancy and delivery and also of good care during childhood, especially the first year of life. Available and accessible services during the critical perinatal period (pregnancy, birth, and infancy) may make the difference between a human being who will be a productive contributor to society or one who may be physically or mentally compromised for a lifetime and a burden to his family and society.

We are facing a time of major program changes due to reductions in Federal funds for Maternal-Child Health, Aid to Dependent Children, Medicaid, and Title XX programs. We all share the President's concern over the economy and will accept our portion of the reduction but we must be realistic about how the cumulative effects of these program cuts will comprise the health of our mothers and children.

I would like to share with you problems that exist in Mississippi today, outline the major resources available and then describe the actual and potential consequences of the discrepancies between the needs and the resources.

Mississippi has one of the highest infant mortality rates in the USA. In 1978, 19.1 infant deaths per 1000 live births occurred in Mississippi as compared to 13.8 deaths per 1000 live births for the United States.

Ten thousand eight hundred seventy-nine (10,879) women under 19 years of age gave birth in 1979—this was 23.9 percent of the live births in Mississippi as compared to 16.3 percent teen births in the United States. Increased health problems for mothers and infants are often associated with teen births.

In addition to health problems experienced by Mississippi mothers and their infants, the socioeconomic status of Mississippians also influences their health dilemmas.

Mississippi has the lowest per capita income in the nation.

In Mississippi, the population living at less than 125 percent poverty level, income is 42.1 percent as compared to 18.2 percent for the USA. No county in Mississippi has less than 26.4 percent of persons living in poverty.

In Mississippi, 31 of the 82 counties have transfer payments such as Social Security, unemployment compensation, etc., as the number one source of income.

In Mississippi, of the approximately 44,000 births each year about 21,000 are to women whose income falls at or below 125 percent of poverty level income.

Agencies and individuals whose policies and activities make them potential resources may also contribute to the health dilemmas of our mothers and

Approximately 80 percent of the children in Mississippi receive their immunizations at county health departments.

The county health departments in Mississippi served 86,644 women in family planning clinics in 1980, which is approximately 63 percent of those persons in need of and unable to pay for family planning services.

The Supplemental Food Program for Women, Infants, and Children (WIC) operating through the Mississippi State Board of Health provides food supplies and nutritional services to more than 60,000 pregnant women, breast feeding mothers, infants, and preschool children.

Title XX provides funds to subsidize services such as adoption, day care, and family planning in Mississippi.

While most of the outlined resources are offered though the Mississippi State Board of Health in the 81 county health departments, there are a variety of adjunct services and programs which are a critical part of the State's health services. The Neonatal Intensive Care Unit and transport service, the high risk maternity and neonate telephone Hot Line and outreach education are but a few of the critical services provided by the University Medical Center. In addition, there are four charity hospitals in the state which provide service to a limited number of medically needy, and many, many private physicians and hospitals that give service without any or minimal reimbursement.

Despite these current available resources, given the excessive health care problems of Mississippi's women and children, it is clear that there will be adverse consequences for our State, resulting from the recent federal budget cuts.

Mississippi will receive an approximate 25 percent decrease in MCH dollars from the 1981 allocation. A large portion of the MCH funds has gone to ensure that prenatal and infant care to women and infants is available through the county health departments. We know that these preventive services are desirable and cost effective and have resulted in decreasing infant morbidity and mortality. With fiscal resources diminishing, there is no doubt that services—basic, preventive, cost-effective—will be decreased. Public health departments are major service providers in the southeast and there are few other resources with the capacity to provide MCH services in almost every county in the southeast region. In a state which has one of the highest infant mortality rates in the nation, to decrease Health Department services is certain to slow down improvements in our infant mortality rate.

Compounding the problem of diminishing resources for care is the expected decrease in funds through Title XX. Family Planning services to teenagers are provided at the county health department with reimbursement through Title XX. Approximately 26,000 teens are served through this medium; an anticipated 6,700 unplanned teen pregnancies could occur if these services were not available. With the concomitant decrease in MCH funds, family planning services could be severely limited or eliminated. The consequences of this sequence of events is most likely to be an increase in infant mortality.

In addition to these sobering predictions, the changes in regulations governing ADC and Medicaid will exclude from benefits many of the working poor single parents. Approximately 20,000 individuals or 6,000 families will lose benefits in Mississippi because of changes in standard of need. The typical family consists of a mother with two children; the mother works part-time for minimum wage. Eligibility standards were formerly based on net income which allowed deductions for items such as child care and work related expenses. No deductions are permitted now and gross income will determine eligibility. These families will have to pay for all their health care and child care services, etc., with obvious marginal resources. They are likely to do without necessary health services and use the hospital emergency room when ill which will result in a large expense to the local community without benefit of a federal dollar match.

I am convinced that consequences of the budget cuts will severely burden agencies and individuals and impact on the health and well-being of our mothers and children in Mississippi.

Mr. Anderson.

STATEMENT OF GARLAND D. ANDERSON, DIRECTOR, MATERNAL AND FETAL MEDICINE DIVISION, UNIVERSITY OF TENNESSEE COLLEGE OF MEDICINE, MEMPHIS, TENN.

Mr. ANDERSON. Mr. Chairman, I appreciate the opportunity to express my concerns about reductions in services to pregnant women and their babies.

We run the fourth largest obstetric service in the United States and my colleague, Dr. Coronas, has the largest neonatal intensive care unit in the United States.

Not only do we face the problem of an intercity urban poor hospital, but we also serve an area of approximately 40,000 deliveries a year of women from western Tennessee, eastern Arkansas and northern Mississippi that have relatively few physicians.

We are the hospital of last resort for women who have little or no financial services.

I think it is imperative that this committee understand that we are not unique in this regard. Other intercity hospitals are having these problems.

Fifty percent of admissions to the City of Memphis Hospital complex are obstetrics. If a percentage of these women are denied eligibility, we will lose revenues with no opportunity for reduction in services. These women have no other place to go.

For the past 3 years I have requested equipment that is needed to care for these women in an obstetrics unit and we have been unable to obtain this because of the financial resources of our hospital.

I think it is very important to understand that the whole spectrum of prenatal care starting with prenatal care through delivery, through specialized care in the neonatal intensive care unit for the baby is cost effective.

An example of this is the fact that the City of Memphis Hospital is said to receive the largest amount of medicaid money in the State of Tennessee, $10 million.

However, if you look closely at the three homes for the mentally retarded patients of this State, if you look at the different medicaid accounts, receive $42 million. This is just to point out the tremendous cost of caring for the severely mentally retarded patient.

Many of these, if not most of these, patients are in these homes as a result of events surrounding pregnancy such as complications of premature births, maternal and obstetric complications or genetic abnormalities.

Many of these complications could be reduced through better obstetric and neonatal care.

Fourth, I am sure Dr. Coronas will talk more about this, but the average length of stay in the neonatal intensive care unit is 20 days.

With a reduction in the number of days that will be paid by medicaid, this again puts a severe financial strain on our facility.

Fifth, I think it is imperative to realize that 40 percent of the women who deliver in the United States are having their first babies.

Any change in eligibility for medicaid for this group of patients will impact on a tremendously large number of women having children in the United States.

Perhaps the most important of all is the fact that we feel we should not be penalized for trying to get women in for early prenatal care.

Two years ago the average wait for a pregnant woman who wanted to come to the City of Memphis Hospital was 8 weeks.

We increased the number of women we saw 40 percent a day. This put a severe strain on the nurses, social workers, physicians, et cetra. We felt this was imperative.

The waiting list is now down to 10 days, approximately the length of time that a woman would wait to get in to see a private physician. We do not feel that we should be penalized for making this effort.

Again, I think it is important to understand that you have to deal with not only the short-term effects of poor prenatal care; for example, the still birth rate is four times that in women who receive no prenatal care versus those women who receive prenatal care.

Another severe concern I have is, we are seeing more and more women sent in from smaller hospitals in rural areas of the State because they either have no insurance or they have reduced medicaid eligibility.

This is happening nationwide, so we will also have more and more women being sent into our hospital system because the smaller hospitals in the State will not provide care for these patients. There are five counties in west Tennessee that have no physicians providing obstetric care. There are women in parts of this State who are being told to wait until they are in advanced labor so that they are so close to delivery that they cannot be denied access to certain hospitals in the case.

The patients in the rural areas will have severe difficulty if their medicaid eligibility is reduced.

In summary, I think everyone has a right to be well born. If a child is severely damaged at birth through the lack of prenatal care, lack of access to care, or any other complications, not only will this child not reach his full potential, but this child will also cost the State millions of dollars.

I feel that we cannot afford to reduce services to pregnant women and their children.

Thank you.

Chairman **Ford**. The Chair will recognize Dr. Coronas for a brief statement.

STATEMENT OF SHELDON CORONAS, M.D., DIRECTOR, NEWBORN CENTER, CITY OF MEMPHIS HOSPITAL, AND PROFESSOR OF PEDIATRICS, UNIVERSITY OF TENNESSEE

Dr. **Coronas**. Thank you, Mr. Ford. I have got my watch out just to make sure.

I did not anticipate being asked to make a statement although I hoped I would, so I have nothing prepared.

This new-born intensive care unit which I direct works hand in hand with Dr. Anderson's obstetric unit.

As has been explained to you, it is the largest in the country by virtue of 1,200 babies in a year. These are sick infants whose survival or intact survival are in doubt, and for this reason they are admitted to the facility

The area we draw from includes the northern tier of Mississippi, eastern Arkansas and west Tennessee. Through the years approximately 100 to 150 babies have been admitted from our neighboring States each year. The intensive care I speak of is the type that requires in the extreme respiratory support, mechanical ventilators of a sort I am sure you have heard of before.

This facility got started about 13 years ago when it was authorized by section 508(a) in title V.

Dr. Arthur Lesser, as an experiment, financed five such units in the country and we were fortunate to be the first. We have been on that MCH payroll ever since.

In addition, what was title IV(a) came our way in the early seventies and knowing the nature of the difficulties that families face through the crisis of a sick newborn, we availed ourselves of title IV(a), now title XX, began with two social workers and worked ourselves up to six social workers who were specialized in paranatal care.

They were educated inhouse to the biologic aspects of the crisis so that they could relate the biologic aspects of this crisis to the social area in which they were experts.

Since acquiring these six, and there is no other facility of our type in the country that has six, we have just recently lost one by virtue of title II cuts.

In the MCH category, we have received a significant cut. Catastrophe has not visited upon us yet. We can certainly only reach so far. I fear deeply for the effect on this facility of future cuts.

We are, furthermore, sensitively dependent upon the welfare of the city of Memphis Hospital. You have heard what the medicaid cuts will do to that.

Our support has come from the city itself, from the Federal sources I mentioned to you and from a very progressive State program for paranatal care which funds four centers in the State.

I am here to say to you that in our instance in the newborn intensive care unit, we are indeed a facility of last resort, but not only for financial reasons, although most of our patients are in financial need.

We are a facility of last resort because there is no such in the area within a radius of 150 to 200 miles, depending on what direction you go, that can render this kind of care.

I submit, gentlemen, that these cuts, any further cuts we get will seriously impair what has to be a life and death operation day to day for these sick infants.

I thank you again, Mr. Ford, for this opportunity.

Chairman **Ford**. Thank you, Dr. Coronas.

For the record, would you please state your full name and the hospital or institution that you are part of?

Dr. **Coronas**. Dr. Sheldon Coronas, director of the New Born Center, City of Memphis Hospital, professor of pediatrics at the University of Tennessee.

Chairman **Ford**. The Chair will recognize Mr. Rangel at this time.

Mr. **Rangel**. Thank you, Mr. Chairman.

First, let me thank all of you for the emotion that was involved in your testimony, not only as professionals, but as human beings who have demonstrated that you are concerned with what is happening to your clients.

I have to admit that I have not seen this type of concern demonstrated by representative organizations in Washington. And, while we have a tendency to overdramatize politically, the testimony that I am hearing from this panel appears to be devastating.

To translate it into political terms, Dr. Casey, you stated something like we could be going back to the days where you have charity cases of those that cannot afford health care.

Mr. Jackson seemed to be saying that the Memphis General Hospital, because other hospitals seem to be closing their doors to the poor, has been receiving more and more cases and are, in fact, in the process of rejecting some cases that you think are serious.

Ms. Holgren has posed a rhetorical question: How many children have to die before there is a reversal in policy?

And I suppose it was stated by Mr. Anderson that you will be receiving additional clients without any opportunity for reimbursement or offer additional services.

Now, this testimony to me means that people are in fact going to die as a result of professional decisions being made as to who can be admitted, whether there is space to admit them or whether or not they can be covered.

This really means that life could depend on their ability to pay for health care and it really means in this great Nation of ours we can say the right to good health, or the right to life, may be dependent upon one's income.

Now, it would just seem to me that if we are making that type of dramatic judgment, there should be people throughout the United States that would be aware of this, the National Council of

Churches perhaps, the boards of rabbis or the Catholic archdiocese, or those that have taken the same type of vows to protect the value of life.

And I don't know, I hear a lot about the right to life, but I don't hear them talking about the right to live.

I hear a lot of talk about respect for human values and yet not in Washington. I don't know where the American medical Association is.

I don't know where the American Hospital Association really is. And I just wonder how any of you are going to think you are going to get by with closing those doors.

I mean, is someone going to bring their pregnant wife to the door and have you explain this complicated reimbursement system that doesn't work?

Are you really going to kick my mother out of the hospital because she has already outdid her medicare benefits?

What we are saying is that we are on the brink in this country of deciding who will dispense the value of life and when that happens there will be a lot of young people that will be helping you to make that decision.

I hope that you are able to persuade your colleagues that they should make a political statement before we have to make that determination.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Chairman, I would like at this point to pick up where you left off.

I would like to know, if you have to start turning away patients who are unable to pay, Mr. Jackson, you talked about it earlier in your statement, that the hospital will be facing a $7 million deficit, already laid off some 300 employees, 39 percent of September admissions were medicaid patients.

I would just like to know, where will these mothers and children go if the doors are closed at your institution or other institutions?

Mr. JACKSON. I think, Mr. Chairman, that the reality may end up with us being in a position where somebody may, you know, just have to die.

The American Hospital Association, as Congressman Rangel pointed out, has not come forth with a position. Very honestly, they are wrestling with the issue of, you know, what position should we take when out of 7,000 hospitals only probably less than 2,000 of them really have these kinds of problems.

There will be some sessions starting as of December 10, I believe, and I have been asked to participate in that, to try to address and come forth with a position.

Congressman, the truth of the matter is that if the other hospitals in town do what some have said, they will do, or continue with their policies as they do relate to taking people that are not financially able to pay, and because of our financial problems we have been forced to reduce the size of the hospital by reducing beds and so forth, you just can't fit everybody into a reduced hospital that now wants to come.

And it will result, I believe, in a form of rationing; those who are most in need of emergency care, someone may be a little sicker than somebody else, are the ones that you are going to have to let in.

We just don't have the capacity to continue to be everything to this city when it comes to indigent care.

Mr. **Rangel**. Will you yield for just one moment?

Chairman **Ford**. I will be happy to yield.

Mr. **Rangel**. What percentage of your patients are minorities?

Mr. **Jackson**. Are minorities?

Mr. **Rangel**. Yes.

Mr. **Jackson**. Approximately 85 percent.

Mr. **Rangel**. So, to the untrained eye, it might appear that whites would be given the right to life and black would be denied it.

I know that wouldn't be a racial factor; it would be an economic factor, but to a foreigner one might suspect that was the decision being made in this country.

Mr. **Jackson**. I would imagine so.

Chairman **Ford**. Dr. Coronas, would you like to respond to my question?

I was sort of going back to Chairman Rangel's, but I wanted to hear from the medical and hospital professional.

Dr. **Coronas**. If I remember, you said something about closing the doors. We won't close our doors unless Mr. Jackson tells us to and he never has and he won't, but what will happen——

Chairman **Ford**. Where are you going to get the $7 million?

Dr. **Coronas** [continuing]. There will be fewer nurses to take care of the babies; there will be less equipment and more babies will die while we are trying.

Our problem is not only maintaining service to these babies, but we must maintain the state of the art too.

It won't pay to take care of these babies today like we did 10 years ago. We can't afford to do that, so what you will find is that we will be spinning our wheels; we will be admitting everybody because our staff won't tolerate turning a baby down.

Chairman **Ford**. In other words, the door will remain open but the babies will die.

Dr. **Coronas**. There will be fewer nurses, less equipment, you just name it, clear on down the line, and the facility will revert to what has to be an anachronism today. That is it will start operating like it did when we started 10 to 12 years ago, where we looked around to see which baby, when two of them needed it, to give oxygen when we only had one oxygen line.

Chairman **Ford**. You know, earlier, Governor Alexander urged us to allow the States to impose copayments for hospital and physician services on AFDC recipients. What impact would this have on poor mothers and children in this area?

Mr. **Jackson**. I think the issue there, when you talk [illegible] income of a number of the patients we are talking about, we are now saying you want them to assist in paying for their health care, they don't have the dollars to pay for it now, by now imposing a system that requires it, I think that would just be another step to essentially reduce accessibility.

Chairman **Ford**. What about from the administrative standpoint?

Mr. JACKSON. In our case, you know, you take a present patient who is on medicaid and if the program pays reimbursement then, of course, you can't bill that patient. Now you take a patient who now is on medicaid but under a new set of regulations, they are supposed to pay a portion of that bill and then the State pays the other portion, my honest assessment is we are going to be hurt because we will still get the hospital part from the State, but that copayment part, you know, the chances of actually collecting that I would say would be very, very weak.

Chairman FORD. Dr. Coronas, do you think the safety net for the truly needy is still in place? Are people that are supposedly being protected by the President's safety net as it relates to health care services slipping through that safety net?

Dr. CORONAS. From where I sit in the newborn world, it is in jeopardy. We have seen a progression of care which is now being threatened and this is what compelled me to walk in here cold this morning, Mr. Ford.

Here went a little bit of title XX, here went a little bit of MCH funds, here goes medicaid, and I can see that facility, large as it is, only because it grew to fulfill a need, there was no ambition to be large, I can see that facility just going down the hole trying to—for want of funds but not being able to deliver according to the state of the art.

Chairman FORD. Thank you.

Mr. Bailey?

Mr. BAILEY. Thank you, Mr. Chairman.

I would like to add just a couple of comments on top of what Chairman Rangel and Chairman Ford have said.

The President—and I don't want to come across in these hearings though I am afraid maybe some of us have, and I am afraid I have, as being too critical of the administration and of the President—for the second budget resolution he made a television speech and either he or whoever wrote the speech for him made reference to Jeffersonian principles which, at least in an economic sense, may be pretty much out of date.

But what is happening in America is very simple. The medical profession's ability and the state of the art, the state of the sciences, have outgrown the ability of many people, from an income point of view, to provide for themselves adequate medical services.

That relationship maybe wasn't so bad 100 years ago but today it is. And that leaves us as a modern, complex society with a President who I think is extremely naive, perhaps well-intentioned but incredibly naive and uninformed, with a very difficult social decision. That translates into policy matters and I think it is what Chairman Rangel was talking about and what Chairman Ford was talking about.

You commented that you have a program that grew to meet a need not because you wanted it to become large. You have got a technology in your hands and you have got a human need, so you start to respond to that need, you grow to respond to that, we try to do that as a matter of national policy.

We are going to have a terrible political problem in this country in terms of the Nation's social consciousness and the President is going to have great difficulty when he learns, I think, a very sad lesson and an obvious one here, that there are things out of kilter.

Indigent care in this country created somewhat of a rebellion in working poor cases and lower middle income cases because of access to care. And instead of our President, instead of the administration looking at that very real problem and the political implications associated therewith and trying to solve it, to provide decent care and some semblance of even care across the board, he has simply taken the easy political way out, an ignorant, foolish, cruel and harsh way out.

His attitude is just the very kind of thing that is going to cause a rebellion and a reaction that is going to destroy the very political principles, simplistic ones I might add, that the President is so frequently fond of offering the American public. His attitude is that people are going to die, that somebody by virtue of accident of birth is going to be denied care as an infant. And it is an absolute insult to everything this country stands for.

Thank you, Mr. Chairman.

Chairman FORD. Mr. Anthony.

Mr. ANTHONY. Thank you, Mr. Chairman.

Dr. Casey, I would like you to expand a little bit on the comment you made earlier that the AFDC cuts would create a decreased access to health care for children. I would like to back up and give a premise and I would like you to be thinking about the answer to the question.

When I go back home and as I talk to my constituents, they tell me they want the budget cuts, but they tell me that the people they want off welfare are those people that are able-bodied and can do for themselves and they are just lazy and shiftless and they are tired of having their tax dollars go to help them.

But when you start talking about prenatal care, when you start talking about handicapped children, when you just talk about children themselves, you can take the most hardened conservative in my district and he will tell you to get that cheater off but in the very next breath he will tell you, "But, look, I want to help that child."

But if what you are telling me is that we have, through an unintended policy decision in cutting Federal spending, we are affecting that child, I would like to hear your viewpoint. Why are they going to have decreased access to health care?

Dr. CASEY. I believe that is the case. We will be denying a significant percentage of our population access to some degree of health care because a certain number of people have been removed from medicaid, from AFDC, they thus have been removed from medicaid, and thus don't have direct access to medical care of choice.

People who have had decreased incomes into their homes because of medicaid cuts also have less funds to access medical care of choice and thus may fall back on that which is provided in the public system.

The public system in Arkansas, in many parts of the State, has problems meeting the primary care medical needs of their patients because the system is in some cases less than adequately supported by the medical care system.

Mr. ANTHONY. What do you think are the consequences of taking these children off the medicaid rolls and what about that category that really is in the working poor that will be losing their benefits and as a result, if they don't get the charity, they are not going to be able to provide it on their own because the cost is too great.

We heard one welfare mother talk this morning about the cost, $37 a week, so basically she took a gamble. She says, "I am not going to pay for health insurance based on the gamble my kids are going to stay healthy and not get sick, but what happens if they get sick?" What is the cost factor on down the road for these children who don't get preventive care or are caught up in the system and don't get the normal care?

Dr. CASEY. The two examples I provided you today I think are examples of the type of children that will result from kids who don't get their needs met in the early months of life, rather severe situations, children who are in fact severely undergrown and are not developing in a normal sort of way, simply because they are not being fed and are not receiving adequate nourishment from their environment.

I don't think any of us would argue about how these families suffer when $40 is removed from their $180 income for the month anyway, five children—four children, one adult living off $188 a month, I don't think any of us would argue it hurts them when they lose $40.

You are wondering about the borderline situations. I think that is your question. That is a hard one for me to answer sitting in the situation that I am in. I work in a tertiary level referral hospital. I see exceptional cases, but I must say that a large number of the people I see in my exceptional cases are the people you are referring to, the borderline situation.

And I believe that those people are suffering terribly as well. They don't—they can't come to see you because they know they are going to get the bill and they know they can't pay the bill, so they choose not to come back the next time. It happens to me time and time again where a patient fails a followup appointment and I know it is not because the parent doesn't want to come back to see me but because they know there is another $30 and they can't afford that $30.

Mr. ANTHONY. What bothers me, are we then by the policy that we are pursuing creating the possibility of even greater medical expenses in the out years because we are not going to be providing preventive programs in the present.

Dr. CASEY. I think that is the potential. You have heard today about the sequelae of children's development who don't receive adequate prenatal care. My perspective is somewhat down the road for children who don't get adequate care in the first year or two of life, and I think the sequelae are the same; that is, mental retardation and other long-term neurologic abnormalities.

Mr. ANTHONY. Mr. Chairman, I would like to close by getting just a little bit more parochial and following up on a question that my colleague, Mr. Rangel, hit on, and I guess my question is going to be what is the medical society or what are you, as part of that medical society, planning to do to counteract the new federalism. The problems that you say exist, the problems that you anticipate because of further budget cuts, I want to know what you are going to do but in getting parochial I would just like to go through some things that are happening in the State of Arkansas and have you respond to them.

The department of social services has identified protective and supportive services for children as its area of greatest concern. Now we are not talking about the lazy, above-21 male who could go to work if he wanted to, even if we didn't have 85,000 unemployed with plants shutting down every day. But they have in the past contracted with outside professionals to provide these services, basically admitting that they don't have the expertise within the department.

But just to give you some idea of what is happening right now, funding for the Presbyterian Urban Council which provides services to abused children has been eliminated on the basis that the services are provided statewide; yet, on the other hand [SCAN] suspected child abuse and neglect, the largest statewide contractor for these services, is being drastically reduced. There seems to be a contradiction in policy.

Additional facts would show that Arkansas has reduced the staff/client ratio in title XX day care, Arkansas has laid off title XX eligibility workers who also did protective and supportive services, Arkansas has reduced title XX training money for foster care and adoption assistance at a time when the important shift in emphasis from foster care to permanent adoption is supposed to be implemented in the program.

We have also reduced funding for the division of youth services which serves our juvenile delinquents. We have also failed to provide needed increases to the Youth Home, Inc., which serves emotionally disturbed adolescents, causing the closing of the children's unit and a boys' home.

I guess not only the question I am going to be asking you, but the Governor and all the way back up to my colleagues when we go back to Washington, is what do the children of the State of Arkansas have to expect under the New Federalism?

You probably can't answer that, it probably doesn't have an answer, but I think that is really the purpose of these hearings.

Dr. **Coronas**. Mr. Anthony, I just would like to allude to one statement you made and that is that the implications of prospective neglect at the present may mean that we would have to make up for it with more spending in the future, and I think we should bear in mind that a lot of the difficulties that will be visited upon the kids who are going to be at the short end of the stick for all the things you just mentioned, are going to be irreversible.

No amount of money is going to make up for the amount of damage that is going to be done by neglecting proper care, certainly in the area in which Dr. Anderson and I deal. You are not going to do much to reverse whatever dysfunction of the central nervous system results from inadequate care of a baby.

The same thing can go for the medical care under the term generally preventive in more advanced stages in pediatrics.

Mr. **Anthony**. Mr. Casey, you seemed like you were ready to respond and I don't want to cut you off.

Dr. CASEY. I had no specific response, Mr. Anthony. I am sympathetic to all of your concerns. I see again concrete day in and day out problems that arise from the concerns you expressed and I sympathize with them, I don't know the answers to the concerns.

Mr. ANTHONY. Well, unfortunately, we don't know the answers either, but it appears to me that the problem is going to be compounded because we have already been asked for additional cuts before this year is over, we have already signed into law about $77 billion in cuts that are going to have to be made in 1983–84.

Secretary Schweiker is on the front page of the Washington Post this morning talking about an additional $9 billion in cuts for fiscal year 1983 sent over to OMB, so we know that the fight is not over with, it probably has yet to be begun and also what bothers me is we are talking about a lot of children that are under voting age and somebody is going to have to speak up for.

And even when you take my archest conservative constitutent who says he wants to help children, he only wants to get to that lazy welfare cheat, then it seems like to me we have to examine the policy we are pursuing. It appears to me we are going to be hurting the people that are not intended to be hurt.

That is my speech for the day, Mr. Chairman.

Chairman FORD. And it was a good one, I want you to know that.

Again, let us thank each member of the panel for such fruitful dialog and information. Thank you very much.

Next we will have a panel on services families and children; Henrietta Wilson, director of Philips County School for Exceptional Children, Helena, Ark.; Gloria McDaniel, administrator, Les Passees Rehabilitation Center; Jim Bennett, executive director of the Porter-Leath Children Center; Gail Young, board member of the SCAN Project, Prescott, Ark.

The Chair will recognize Ms. Henrietta Wilson, director of the Philips County School for Exceptional Children, Helena, Ark.

STATEMENT OF HENRIETTA WILSON, DIRECTOR, PHILIPS COUNTY SCHOOL FOR EXCEPTIONAL CHILDREN, HELENA, ARK.

Ms. WILSON. Thank you very much for allowing me to come and speak to you today on behalf of some of the concerns we have in Arkansas and especially in the area of mental retardation as well as other developmental disabilities.

This year, as Dr. Casey has mentioned earlier, we have already suffered elimination, total elimination of several services that are serving mentally retarded individuals as well as other developmental disabilities. One of those major services is diagnostic services, and, of course, in working with children who are chronic and medically fragile, you need this comprehensive diagnostic service. Many need from the start, neurological workups which are no longer available to them.

We had to eliminate respite care services, we had to eliminate foster care services, specialized foster care for developmentally disabled individuals.

With additional cuts being faced, it appears that we will be looking again at large, expensive institutional care for many of those that we have provided care for in the community.

As a comparison we can provide care to a mentally retarded individual and other developmental disabilities for about $3500 a year in a local community program with support to the family. That same individual that will receive services in an institution will cost around $21,000 a year. We had hoped, but I think that all that might be in vain after listening to the caps possibly being placed on long-term care title XIX money, that some relief in Arkansas would come from more use of title XIX for other than long-term care facilities.

We have learned that such States as Michigan, Vermont and Pennsylvania are already using title XIX money for community residential programs. But as I said earlier, I guess that may not be a bailout or relief for us.

We no longer have title XX training dollars in Arkansas. Most of the services under title XX or most of the money under title XX has been placed in services. As an example, I brought a family over with me today to be placed for some neurological workups. These services at one time were purchaseable in Arkansas through the department of mental retardation under the title XX programs.

This family was very lucky that the child development center here in Memphis accepted them because this family has requested institutional placement simply because they can no longer receive the community-based support that they have received in the past.

With these types of problems and issues being faced daily and the denial and turning away of individuals with developmental disabilities and their families for services at the local community level, we find that all the progress in inappropriate institutionalization that has been gained over the years will be lost.

Chairman FORD. Mr. Bennett.

STATEMENT OF JIM BENNETT, EXECUTIVE DIRECTOR, PORTER-LEATH CHILDREN'S CENTER, MEMPHIS, TENN.

Mr. BENNETT. Mr. Chairman, members of the committee, my name is James Bennett, I am director of Porter-Leath Children's Center in Memphis, one of a number of agencies contracting with the Tennessee Department of Human Services to provide services under title XX.

I want to tell you what the title XX cuts have meant to the clients served by our agencies. First, let me express my appreciation to Congressman Ford and to each of you for your concern about the impacts of the cuts. We very much appreciate you being here and allowing us to share with you what is happening to our clients.

In Shelby County, total dollars allocated for contract services were reduced from about $8.5 million to $6.4 million in this fiscal year, about a $2 million decrease. In order to make that cut in this county, some services had to be eliminated entirely.

Those services were these: Chore services for the elderly, a program serving AD elderly clients in their own homes was eliminated; family and individual counseling for 210 emotionally disturbed and mentally ill clients was eliminated; companionship services to elderly; companionship services to children through Big Brothers and Big Sisters and to mentally retarded children through foster grandparents was eliminated; a total of 320 individuals were served by companionship services.

Legal services to 150 clients each month was eliminated. Health services for 22 children with special needs was eliminated. In total, 782 individuals each month will no longer receive services under title XX and that is just in programs where we had to cut out the entire program.

We had to do a couple of other things. We transferred home-delivered meals to the commission on aging and we transferred family planning services to the health department. The remaining services were not eliminated completely, but they were faced with at least 15½ percent budget cuts in terms of dollars.

Those programs were day care for children, day care for exceptional children and adults, child development services, transportation services, homemaker services, residential treatment of children, protective services for children and foster care.

At this time, I cannot give you exact figures on how many clients are affected in those programs because we have not yet finalized the projects with the department of human services, but I do want to tell you about a couple of things.

For example, in the exceptional day care, the program to serve profoundly and severely retarded children from 15 months to age 4, Shelby County last year had the capacity to serve 128 children.

This morning you heard from one mother whose child will no longer or potentially may not longer be served. Fifty-four children are in the same state of jeopardy. They had been being served by an agency called Forget Me Not, that agency has decided to close its doors because it simply does not have enough money to continue to operate.

Several other agencies are attempting to pick up some of the services for some of those kids. Easter Seals, my own agency, Porter-Leath; Les Passees, from whom you will hear later, and another day care center, hope that we can serve some of those kids. Right now, it is uncertain whether we are going to be able to do that.

I hope you note that when I say we were serving 128 children that even then we were only meeting about 40 percent of the need in this community.

Some other programs have reduced or will reduce the number of clients served. In my own agency at Porter-Leath, we have an emergency shelter program for abused and neglected kids. We will serve about 50 fewer kids next year than we served last year. There simply is not enough money for food, clothing and staffing to serve the numbers we served last year.

Other programs are trying to continue to serve as many as they served last year by going to higher ratios of children served or by eliminating or reducing transportation for children.

The Community Day Care, one of the largest day care providers in Shelby County, 55 staff have been laid off as full-time staff and another 30 staff have been reduced from full time to part time.

By making these reductions in staff and transportation, you need to understand the quality of the program is being jeopardized. When transportation is not provided, some clients depend upon transportation in order to get service, and will not get the service.

When staff are not there to care for children, less opportunity for child development and training goes on.

My impression from talking to many agency directors is that agencies are trying to stretch the title XX dollars just as far as possible to stretch it while continuing to provide services to families and children. Clients who were hit hardest by these cuts are children and the working poor.

On October 1, Shelby County, as part of the State regs in AFDC adopted new AFDC eligibility rules limiting families with gross income that does not exceed 150 percent of the State's AFDC needs standard. In Shelby County alone, some 3,000 families or about 15 percent of the caseload were removed from AFDC rolls during October. These families will lose medicaid and may lose food stamps also.

At the same time, because Tennessee did not adjust upward its criteria for eligibility under title XX by adjusting for cost of living, fewer families will be eligible for services under title XX. This will become an even larger number in February 1982, when the reduction on earning disregards takes place, moving more persons off AFDC and also making them ineligible for services under title XX.

Congress needs to be aware that the standard of need in most Southern States is very low compared with Northern States.

For example, I heard this talked about this morning, so I know you are aware of this, the standard of need for a family of four in Vermont is $629 per month, while in Tennessee the standard of need for the same family of four is $217 per month.

By placing a cap on eligibility of 150 percent of the State's AFDC needs standard, families in the South will suffer more than those in the North. A family in Tennessee will be cut off AFDC when it earns a little over $3,000 per year, while the same family in Vermont may earn up to $11,000 per year and still have those services.

I believe that States should have a more equitable standard of need. Further, I understand through the rumor mill that Health and Human Services is considering regulations that would prohibit States from adjusting their standards of need.

I am pleased to tell you that Tennessee is considering adjusting its standard of need. There have been some meetings with the Commissioner on that and I would hope that the Federal Government would not only not discourage States from doing so, but would encourage States to adjust that standard of need upward.

In the contact agencies, we are coping not only with cuts from title XX, but cuts from other sources as well. As you probably are aware, USDA, for example, has reduced its payments for food services, a major item in programs such as day care.

As the agencies have reduced the number of clients served in their agencies or as programs have been eliminated, there has been a ripple effect throughout the community.

For example, 179 clients who received companionship services and chore services through Community Day Care were eliminated under title XX. At the same time, 250 youth who were employed through CETA youth programs also lost their jobs. These young people had been employed to provide those chore services to those senior citizens.

The ripple effect extends not only to people but also to revenues in the State.

For example, as food stamp benefits are reduced, there is a reduction in revenue to the State of Tennessee. Tennessee, as you know, has a tax on food purchases and when people have less money to buy food, the State of Tennessee will stand to lose about $750,000 next year in tax revenues.

Finally, the contract agencies have not gotten the regulatory relief that has accompanied the financial cuts. Indeed, in some programs such as USDA, there is more paperwork now than there was a year ago. The State of Tennessee has not measurably reduced its monitoring effects, the amount of reports that we have to provide to them. We have more paperwork to do with less dollars to do it.

Mr. Ford, I appreciate very much having the opportunity to talk with you. I hope that my comments have been helpful to you.

Chairman FORD. Thank you very much, Mr. Bennett.

[The prepared statement follows:]

STATEMENT OF JAMES BENNETT, DIRECTOR, PORTER-LEATH CHILDREN'S CENTER, MEMPHIS, TENN.

My name is James Bennett. I am Director of Porter-Leath Children's Center in Memphis, one of a number of agencies contracting with Department of Human Services to provide services under Title XX. I want to tell you today what those Title XX cuts have meant to the clients served by the contract agencies.

First let me express my appreciation to Congressman Ford and to the other subcommittee members for your concern about the impact of these cuts. I appreciate the opportunity to share with you what has happened to our clients.

Total dollars allocated for contract services in this region were reduced from $8,455,713 to $6,397,156 or about $2,000,000 decrease. In order to make this cut, some services had to be eliminated entirely. Those services were Chore Services to the elderly, a program serving 80 elderly clients in their own homes. Family and individual counseling to 210 emotionally disturbed and mentally ill clients was eliminated. Companionship services to elderly, to children through Big Brothers and Big Sisters and to mentally retarded through Foster Grandparents was eliminated. A total of 320 individuals were served by Companionship Services. Legal services to 150 clients each month was eliminated. Health services for 22 children with special needs was eliminated. 782 individuals each month no longer receive services.

Two programs formerly served under Title XX were transferred to other agencies. Home Delivered Meals was transferred to the Commission on Aging, and Family Planning Services were transferred to the Health Department. The remaining seven services were not eliminated completely, but were faced with 15½ percent or better reductions in dollars. Those programs were day care to regular children, to exceptional children and adults; child development services; transportation services; homemaker services; residential treatment of children; protective services for children; and foster care.

At this time I cannot give you exact figures on how many clients are affected in these programs because contracts have not even been finalized with the Department of Human Services. I can however speak about several of the programs.

For example, in exceptional day care, a program that serves profoundly and severely retarded children from 15 months to age four, Shelby County had the capacity to serve 128 children. Fifty-four of those children are jeopardized and may not be able to be served in the coming year. The agency that previously served these children, Forget-Me-Not, has announced that due to the Title XX cuts it is unable to continue to provide the service. Several other agencies are currently trying to see if it is possible for them to serve any of these children in their programs, but at this time the outcome is uncertain. Note that when we were serving 128 retarded children, we were only meeting 42 percent of the current need in this community.

Some other programs have reduced or will reduce the number of clients served. In our Protective Service of Emergency Shelter for abused, neglected and dependent children, we will serve some 50 fewer children next year than we served last year. There simply is not enough money for food, clothing, and staffing to serve the numbers that we served last year. Other programs are trying to continue to serve as many children as they served last year by going to higher ratios of staff to children served, by eliminating or reducing transportation for clients. In Community Day Care alone, one of the largest day care providers in Shelby County, 55 staff have been laid off and another 30 staff have been reduced from full-time to part-time. By making these reductions in staff or in transportation, you need to understand that the quality of the program is being jeopardized. When transportation is not provided, some clients who depend upon transportation in order to get service will not get the service. When staff are not there to care for children, less opportunity for child development and training goes on. My impression from talking to many agency directors is that agencies are trying to stretch the Title XX dollar just as far as it is possible to stretch it while continuing to provide services to families and children.

My impression is that the clients who are hardest hit by these cuts are children and the working poor. On October 1, Shelby County of the State of Tennessee adopted a new AFDC policy; AFDC eligibility is limited to families with gross income that does not exceed 150 percent of the State's AFDC need standard. In Shelby County alone, about 3,000 families or some 15 percent were removed from the AFDC rolls during October. These families will lose medicaid and may lose food stamps also. At the same time, because Tennessee did not adjust upwards its criteria for eligibility under Title XX by adjusting for cost of living, fewer clients will be eligible for services under Title XX. This will become an even larger number in February 1982 when the reduction on earning disregards takes place, moving more persons off of AFDC and also making them ineligible for services under Title XX.

The Congress needs to be aware that the standard of need in most southern states is very low compared with northern states. For example, the standard of need for a family of four in Vermont is $629.00 per month, while in Tennessee the standard of need is only $217.00 per month for a family of four. By placing a cap on eligibility of 150 percent of the State's AFDC need standard, families in the South will suffer more than those in the North. A family in Tennessee will be cut off from AFDC when it earns a little over $3,000 per year, while the same family in Vermont may earn up to nearly $11,000 per year. I believe that states should have a more equitable standard of need. Further, I understand that Health and Human Services is considering regulations that would prohibit states from adjusting their standard of need. I am pleased to tell you that Tennessee is considering adjusting its standard of need, and I would hope that the Federal Government would not only not only not discourage states to do so, but would encourage them to do so.

In the contract agencies, we are coping not only with cuts from Title XX, but cuts from other sources as well. As you probably are aware, USDA has reduced its payments for food service, a major item in programs such as day care.

As the agencies have reduced the number of clients served in their agencies, or as programs have been eliminated, there has been a ripple effect throughout the community. For example, when 179 clients, who received companionship services and chore services through Community Day Care were eliminated from Title XX, at the same time, 250 youth who were employed under CETA youth programs also lost their jobs. These young people had been employed in providing the chore services to these senior citizens. The ripple effect extends not only to people, but also to revenues to the State. For example, as food stamp benefits are reduced, there is a reduction in revenue to the State of Tennessee. Tennessee has a tax on food purchased at the grocery store and in restaurants. Tennessee's share of the cuts in food stamps is estimated to be $11,220,000, which when used to purchase food would have meant an income of $735,561 to the State from sales tax.

Finally, we have not gotten the regulatory relief at the contract agency level that has accompanied the financial cuts. Indeed in some programs, such as USDA, there is more paperwork now than there was in the past. The State of Tennessee has not decreased measurably its monitoring efforts, nor its requirements for reporting to the State about provision of service.

Thank you again for the opportunity to present this information to you. I hope you find it helpful.

Chairman FORD. Mrs. Gloria McDaniel, the administrator for Les Passees Rehabilitation Center.

STATEMENT OF GLORIA McDANIEL, ADMINISTRATOR, LES PASSEES REHABILITATION CENTER, MEMPHIS, TENN.

Mrs. McDaniel. Mr. Chairman and members of the committee, thank you for coming to Memphis and for allowing me to make this presentation.

I am Gloria McDaniel, administrator, Les Passees Rehabilitation Center, a private, nonprofit outpatient medical diagnostic, evaluation, and comprehensive treatment center for young handicapped or developmentally disabled children zero to 4 years of age.

The center is located in Memphis and serves an 88-county area, including south Missouri, south Kentucky, eastern Arkansas, north Mississippi, north Alabama and west Tennessee, as the only comprehensive outpatient treatment center in the Midsouth and the largest in Tennessee.

Many of our referrals come from Dr. Coronas' high-risk nursery.

Approximately 400 exceptional children are served each year in the center with another 500 served by contract services in the rural areas of Mississippi, Arkansas, and Tennessee.

Approximately 52 percent of the in-house patients at Les Passees are medicaid or no-pay patients. With 3,000 AFDC cases reduced in Shelby County alone, there will be a proportionate number of handicapped children who will lose medicaid benefits.

Outside of the State of Tennessee, the center receives reimbursement from only one State and that is only for doctor's visits, not for treatment. We even pay for transportation for some of these clients to get to Tennessee so they can receive services.

As a consequence, private funding sources in Memphis and Shelby County are presently providing services to an increasing number of medically indigent children from the entire Midsouth area. Forty percent of the center's budget now is from private funds. This is before any direct medicaid budget cuts.

We are concerned that you, making the decisions about medicaid services, do not understand the cost-effectiveness of treatment for young children. We would like you to know that investing in diagnosis, evaluation and early treatment for these infants during the first 3 years of life, can reduce or eliminate the need for expensive surgery, bracing, long-term medical care, institutionalization, possible family breakdown, and child abuse.

And there is a point beyond which, gentlemen, that you will merely maintain status quo. If you do not get a child who has neurological impairment by the time he is 15 months old, you will not be able to help him reach his maximum potential. It will be a matter of just maintaining and not being able to increase his abilities.

Within the last 8 years, the center has discharged over 600 children as having normal motor milestones. Other more severely handicapped children have made minimal gains but the families have been helped to learn to care for the child, we have helped design equipment to feed, bathe, transport, put the family in touch with community services for other support and in most cases this negates the need for long-term expensive institutional care.

We ask that you who will make the decisions on title XX, AFDC and medicaid recognize the unique problems of handicapped children and their families in these programs, all of which impact on services which are already strained because of the inequity among States and the reduction in AFDC cases and title XX funds to our existing programs.

Private funds simply cannot continue to underwrite the increasing cost of treatment for young handicapped children. We need to know what kind of information you need to help us continue services in the Midsouth to the young handicapped child and his family.

Quoting from the Rand study which was commissioned by the U.S. Department of HEW in 1972 and is continuing to be updated, "Early and correct identification of potentially handicapping conditions is perhaps the single most important and underrated service in the array of potential prevention strategies."

Mr. Waxman stated this morning that there is nothing worse than being poor and sick. I believe there is something worse, that of being the mother of a poor, sick, severely handicapped infant.

We want to work with you to make a case to continue those services in the Midsouth area and for avoiding further reductions in programs serving the handicapped infants in the Midsouth.

Thank you.

Chairman **Ford**. Thank you, Mrs. McDaniel.

[An attachment to the prepared statement follows:]

LES PASSEES REHABILITATION CENTER—CHILDREN'S DIVISION

PURPOSE AND ELIGIBILITY

Services provided by the Center include diagnosis, evaluation, and treatment of children with all types of neuromuscular handicaps. All who might benefit from the services are eligible. Referrals are accepted from physicians and medical agencies. Helping each handicapped child to develop to his fullest potential is the goal of treatment.

SCREENING

The initial interview is with the social worker, who obtains social and medical history and acquaints the parents with the operation and services of the Center. Later the other members of the Medical Evaluation and Treatment Committee individually examine each new patient. The Committee, in monthly meetings, reviews the findings to determine the best course for each child land informs the parents and the referring doctor or agency of its recommendation. The doctor following the patient then orders therapy, and treatment is scheduled. If admission is not recommended, an alternate course is suggested to the parents, and the social worker follows through on the referral.

SERVICES

Treatment consists of individual physical, occupational, speech and educational therapy, and parents are instructed in a treatment program to be carried out daily at home. Each child is reevaluated periodically to determine progress and/or recommendations.

The Parent Education Program, funded by the Tennessee Department of Mental Health and Mental Retardation, is a six week course in which small groups of mothers are taught to be the terapists for their own children. The children are newborns to three years of age. Instruction is provided by a parent teacher in association with physical, occupational, and speech therapists.

A Daily Activities Program, funded by the Tennessee Department of Human Services through the Community Day Care Association, is provided for forty children from six months through three years of age. The children come daily to receive therapy and an individualized education program. The Les Passees Club furnishes four volunteers daily to assist the Staff.

For children who receive therapy only, a structured program is provided in addition to whatever treatment is prescribed.

The Contract Services Program provides trained therapists to agencies and individuals in the Mid-South. Therapists specializing in pediatric developmental treatment are available for evaluation, treatment, consultation and in-service training.

Continuing social service, psychology, psychiatry, orthopedics, physical medicine, and neurology consultation, as well as complete dental care are available to the patients. An ophthalmology clinic is held periodically for those with visual problems.

Four station wagons help to solve the transportation problem for those children whose parents cannot provide transportation and who live within a limited radius of the Center.

The Center provides training for University of Tennessee medical, nursing, social work, and physical therapy students, for nursing students from the private hospitals, and for graduate students from several colleges and universities.

SUPPORT

The Children's Division was established in 1950 by Les Passees, Inc., a social and philanthropic women's club. The Les Passees Club, United Way, Tennessee Department of Human Services and the Tennessee Department of Mental Health and Mental Retardation, plus fees, donations, and memorials, provide the funds for operating expenses. The Center is under the medical supervision of the University of Tennessee Center for the Health Sciences, which also furnishes members of the Medical Evaluation and Treatment Committee. Administrative policy is set by the Board of Directors.

Chairman FORD. Mrs. Gail Young.

STATEMENT OF GAIL YOUNG, BOARD MEMBER, SCAN (SUSPECTED CHILD ABUSE AND NEGLECT) PROJECT, PRESCOTT, ARK.

Mrs. YOUNG. On September 24, I received a telephone call from the State SCAN office informing me that effective October 1, our SCAN office, which served Hempstead and Nevada Counties, would be closed and that we would have until the 31st of October to turn over all clients to Arkansas Social Services.

On the following Monday, our director called to ask me what we should do with the locally donated furniture.

SCAN is an agency which serves families with a child abuse problem. Its philosophy is that we can best help the child by helping the parent to learn effective parenting skills. Trained community volunteers are assigned to client families. They provide the parents with support, they act as a caring friend and their efforts are directed at reparenting the parent, and thus breaking the cycle of abuse.

The SCAN staff in most units consists of three persons, a director, an assistant director and a secretary. This staff is responsible for recruiting and supervising the community volunteers, investigating all reports of child abuse and neglect of children under 12 years of age and keeping records and providing help to the courts in some cases.

SCAN was serving families in 15 counties with 12 offices. The funding for those 12 offices and for the central office in Little Rock was provided with 75 percent title XX money, 15 percent State money and 10 percent local donations.

The cost of each office was approximately $60,000, of which approximately $35,000 provided the salaries for those three staff persons. Thus, last year's local match for most of the counties in Arkansas was $6,000.

Incidentially, I wanted to mention that two of those staff people, the director and assistant director, are on 24-hour call, 7 days a week for that price.

As of the 1st of October, we went from needing $6,000 to needing $35,000 of local money. The 15-percent cuts in title XX money meant a cut of $95,000 for the year for SCAN as a whole. The State SCAN Board voted to close our office and the office in Miller County to make up that deficit.

Our local chapter of the Arkansas Council for Child Protection and our local SCAN Board immediately appealed the closing of these two offices and together with the board of the Miller County office in Texarkana we traveled to Little Rock on two occasions to convince that State board not to close these units.

We took many letters of support from local schools, physicians, law enforcement and other groups. We obtained free office space, partial phone service, utilities and clerical help.

We agreed to operate for a period of 90 days with a reduced staff. As I understand it now, the only staff person that will be funded is the director, and her salary will amount to about $9,000 for the next 9 months.

All the other offices were then asked to begin to increase their local donations and to find funding for their own phone service by the time the bill comes due this month.

We will be increasing our local donor money to 25 percent of the cost of our office rather than the previous 10 percent. A part of the difficulty in raising the money locally is that almost all of the units in Arkansas receive money from United Way and this prevents them from being able to react quickly to this increased need because United Way has prohibitions—well, if you belong to United Way, you are not supposed to solicit funds on your own, it is part of the way that it works.

Also, local governments in Arkansas are presently in financial difficulty, which makes increases from them unlikely. And especially with the cuts that have been occurring in revenue-sharing, and are coming. This increase will be hard to raise.

Arkansas has constitutional limits on taxes and a few times today I have heard questions about our tax structure. Local government in Arkansas is funded primarily from resources from property taxes and a part of their budget comes from fines that are collected in the court system. The millages that local government can ask the people to adopt are limited in our constitution and right now most of them are at the limit.

SCAN is an effective service. Volunteers visit the families two to three times weekly and help the family and that helps to prevent abuse from reoccurring. In 90 percent of the cases, the children are able to remain in their home and the family becomes stronger.

The hours and hours of volunteer time are making changes in the lives of children who once had little hope of a life without fear and despair. We in Arkansas are proud that this program originated in our State. Ms. Sharon Pallone began this program because of her personal experience with a young girl she met in Little Rock in a drug store. The girl had an obviously ill small baby and in Ms. Pallone's efforts to help this girl and her child, she saw the need for some support system, which SCAN eventually became.

As a volunteer whose chief role has been one of fund-raising I know that this program has the support of my small community. I hope that the money is there. As I have gone and asked people to help us make up this difference, I have been very aware of the expressions on people's faces because what I have been asking is for people to give me $50.

If I could collect $50 in Prescott, Ark., from 100 families, I would have enough to be Nevada County's share of our part of the donor money, and many times friends have given me an expression that tells me that they will try, but I could tell that it was going to be something that was hard for them.

Our local unit is only 2 years old. Many families have been served and many have made progress. One family which was discovered shortly after our office was opened, has 24 children. They lived in a house for which they paid $10 a month rent. The family had a 10-year-old daughter and this was the child that was the reason SCAN was involved, the 10-year-old had spinal meningitis as an infant. She was lying in a crib wrapped in soiled sheets and covered with flies.

The child was severely crippled, blind, and weighed approximately 40 pounds. No one in the family knew when she had last been fed. One comment in the notes that I have says that they thought most of the family was retarded.

The child was evaluated by an orthopedic clinic in Little Rock, a special chair was provided and surgery on her drawn limbs was performed to enable the child to sit up.

She was eventually enrolled in the School of Hope where she is kept clean, properly fed, and receives mental stimulation. The local Lions Club has secured eyeglasses for one of the other children and the other children were given medical checkups. This is an old report, but I thought it would be well to include it.

That family, incidentally, was white.

The most outstanding case that I remember was a young woman who told us at a training session of her life as an abused child. She has spent 2 years in an Arkansas prison because she had allowed her second child to die. Her first child was still living, but he was severely retarded because of the deprivation he received in his early childhood.

At the end of her talk, she introduced us to her healthy, normal child, a baby girl about a year old. I am sorry, but it did mean a lot to me.

A recent Harris poll states that a 91-percent majority of the people polled in the United States consider child abuse to be a serious problem in this country and that a 75-percent majority was convinced that the major responsibility should be taken by government to deal with abuse of children.

SCAN provides our community with a service which is vital. The community provides the volunteers, they are being asked to provide more of the money. The office closing affected approximately 60 families in our three counties. SCAN serves around 1,100 families in 15 counties each year, that is different families, some come in and some go out.

Many of our families have as many as six children. I think it should be clear that this program impacts on our future. At a time when SCAN was expanding to other States it is indeed sad to find that the State of its birth is forced to decide where to make cuts in a program with so little fat.

I thank you for letting me come to tell you about it.

Chairman **Ford**. Thank you very much, Mrs. Young.

Chairman Rangel.

Mr. **Rangel**. I just wanted to thank the entire panel for your contribution and rest assured that we will be trying to deliver your message. We don't know whether they will be listening.

Chairman **Ford**. I know we cannot deliver it as eloquently as this panel has done it, Mr. Chairman.

Mr. Anthony.

Mr. **Anthony**. Thank you, Mr. Chairman. I would just like to give my special thanks to Mrs. Young for her volunteerism and her spirit of help in an area that I find too many people in the community do not even know exists.

Mr. Chairman, Hempstead County and Nevada County are two of the counties I am proud to represent in Congress, and to see someone that is interested in not letting a program fall and to take it upon themselves to try to go out and deal with the difficult situation that we are hearing, I guess still gives me some encouragement, and I just want to tell her also that I will be joining Mr. Rangel when we go back to try to ask some questions, get some answers and see if we can't provide the money that is needed to keep these worthwhile programs going.

When I was a prosecuting attorney, I had a 2-year-old child brought into my office by a mother. The boy had two cigarette burns on either side of the bottom side of his tongue, on either side between his first two fingers on his hands and between the big toe and the next toe on each foot, and the father said that it was accidental, when some trash was being burned.

When you start looking at things like that, unfortunately the community as a whole does not get a chance to see it. You have got some education, you talk to those 100 people and ask them for $50, you are going to need a little help.

Mrs. **Young**. Thank you.

Chairman **Ford**. Mr. Bailey.

Mr. **Bailey**. Thank you, Mr. Chairman.

You folks obviously were in an area where you were able to identify or thought you were able to identify more resources and treat more problems, where was the waste? Where was it? Jim, where was it?

Mr. **Bennett**. There was no waste in Shelby County, there was no fraud in Shelby County.

Mr. **Bailey**. Well, I want to thank all of you very much. It has been very sobering—the case histories especially. That is what makes the difference. You talk cost-benefit analysis, nameless, faceless masses of people and then you come out here in the field or you go back home on the weekend and you find a real case. I just thank all of you for your contribution. We appreciate it very much.

Chairman **Ford**. I would just like to join with all of my colleagues to say that this input that we are receiving today and the information and dialog that we are exchanging here is information we have not been privy to in the past in Congress, and I say to

Chairman Rangel, Mr. Bailey, and Mr. Anthony, thanks for coming to Memphis for this field trip to listen and to hear from those who are going to be directly, as well as indirectly, affected by the severe budget cuts imposed on the American people by this administration.

The testimony has been very, very fruitful to all of us and we thank you again for appearing.

Our last panel concerns social services to the aged and handicapped; Ms. Liz Alexander, director of the adult day care program for the aged of Nashville, Tenn.; Mr. Wib Smith, director of the Whitehaven Southwest Mental Health Center and Mrs. James Clayton and Mr. Randy Ingraham; Ms. Mary Lynn Williams, Delta Area Agency on Aging and Ms. Beatrice Jennings.

Mr. RANGEL. Is everyone here on the panel?

Ms. ALEXANDER. I am Ms. Alexander.

Mr. RANGEL. Ms. Alexander, OK.

Why don't we start with you, Ms. Alexander, the director of the adult day care program for the aged of Nashville.

STATEMENT OF LIZ ALEXANDER, DIRECTOR, ADULT DAY CARE PROGRAM FOR THE AGED, NASHVILLE, TENN.

Ms. ALEXANDER. First, let me thank you for inviting us to speak on behalf of the elderly. We were so hopeful that due to our aging population in general, that there would be more innovative and creative programs for elderly. However, for budget year 1981-82, our budgeting was decreased $57,000 which made it necessary for us to discontinue service for 23 people.

I think that until we realize the effects of the cuts, that we are not going to be able to truthfully emphasize to Congressmen or anyone else how severe they have been.

Since the people that left our center have only been gone one month, I decided to check. Of the 23 that left, we were able to place 18 in other programs on a temporary basis but due to the physical limitations and distance from all other programs, we were unable to place 5.

Contacts with these people 1 month later revealed that three returned to institutions, nine others were forced to return to their homes and remain alone all day long, thus placing their lives and the employment of their relatives in jeopardy.

Five other call almost daily regarding their needs, their loneliness and only six appear to have made some adjustment. Although the center's services are specifically for elderly, they indirectly help all age groups in the community for without this protective service, their younger relatives would not be able to work and provide for the need of their families.

Additionally, it is an economic plus for all taxpayers, for compared to institutional care, it is about one-tenth the cost. We are allowed $3,890 per year per slot. In the slots at our day center, two or three share. We are using 59 slots to accommodate 100 people, which means that this averages out to $1,291 a year.

And even in our prison system here in Tennessee the papers have stated that it costs $11,000 a year to keep one prisoner. Do we not have more responsibility to the elderly than to the persons who are in prison who have broken the law?

Many of our elderly have done so much to improve our quality of life. Most of us would like to live forever but in reality none of us want to grow old. The elderly of today are no different, they do not choose to be in their present state.

We must keep in mind that the elderly are fast becoming the largest segment of our population and instead of reducing services we must give more attention to improving and increasing the number of services available for them.

[The prepared statement follows:]

STATEMENT OF THE METROPOLITAN SOCIAL SERVICES, NASHVILLE, TENN.

STATEMENT ON THE IMPACT OF THE CUT IN FEDERAL TITLE XX FUNDING ON THE MSS ADULT DAY CARE PROGRAM

Prior to October 1, 1981, Metro Social Services was receiving federal Title XX funds, on a 75/25 percent matching basis, for the provision of day care services at its Knowles Home for the Aged to as many as 65 elderly and disabled persons per day. Since most participants attended less than five days a week, but at least the required two, the number enrolled in 1980–81 was usually 110, and the utilization rate around 90 percent. The number of hours' care per day was six, including transportation to and from the center for most participants.

The participants are persons 60 years and older, with low incomes, whose physical and mental functioning and social situation are such that they need individualized services in a protective setting with their contemporaries during the daytime. At least 24 of those enrolled had been hopitalized for significant periods of time (up to 50 years) in state institutions. Services provided them include nutrition (a full meal and two snacks) health care, physical fitness program, arts and crafts instruction, planned recreation and informal education, parties and outings, casework help with individual needs and problems, referral services, etc.

On October 1, 1981, the funding of this program was reduced by ten percent, or $14,404.00, for the remaining nine months of the fiscal year. This was due to a reduction of 18 percent in the federal government's Title XX appropriation to Tennessee under the Omnibus Budget Reconciliation Act. Other MSS Title XX programs were cut from ten to 100 percent, and contract services in the region were cut 21 percent overall.

It was necessary to revise the Adult Day Care budget downward. The administration, with Board approval, rolled back a Senior Social Worker to a Social Worker position, abolished two positions, Typist-Clerk and Driver-Custodian, turned in one of three vehicles used for transportation of participants, and revised the routes of the remaining two drivers and vehicles so as to serve the greatest number in the shortest time. The lower staff-participant ratio and shorter transportation routes made it necessary to discontinue service to 23 participants who lived farthest from the center or from the new transportation route.

The 23 participants dropped from the program range in age from 44 (a retarded person) to 87. The median age is 72. Three are 80 and older. Seven are men, 16 women. The incidence of health problems among them is as follows: Cardiovascular, 7; arthritic, 6; emotional (e.g. depressive), 6; pulmonary, 3; diabetic, 3; retarded, 3; blind or visually handicapped, 2; and cancer, 1.

Each of the 23 participants was given formal and informal notice of discontinuance of service due to the reduction in federal funds. Each one was also offered assistance in finding other services to meet their needs. They were invariably grief stricken over the loss of the service and expressed their feelings orally and in writing. Following is an excerpt from a letter written by a 63 year old woman:

"I can't begin to tell you how I feel, I'm going to miss going. I have met so many wonderful people since I (began attending) * * *. I just had an operation in May * * * cancer * * * my right arm hasn't healed good yet * * * I still take radiation treatment * * * I came home, I had so many get well cards from all of my friends, also the Sunshine Club, from the * * * center. I'm supposed to walk four times a day and the workers at the center made sure that I did. I'm going to miss, I had always looked forward to going to the center * * * I'm going to miss all the people. I dread thinking what I'm going to do here in my * * * little bedroom since my daughter is away * * * I'm going to be awful lonesome here. I do hope you can work something out for the others and myself * * *"

One wrote to the MSS director, the Mayor, and the Congressman. All said they would miss their friends and the staff at the center, and how lonesome they would be. Besides giving them an opportunity to express their feelings, the staff explored and developed alternate plans with and for them. Eighteen of the 23 were registered, for example, with the highly decentralized, 22 site MSS Congregate Meals program for the elderly, which is also federally funded under the Older Americans Act (Title III). Although this program serves older people at higher levels of functioning and does not provide the same degree of individual attention as Adult Day Care, in at least one instance it proved to be a convenient resource: The Adult Day Care participant, 73, lives in a church related highrise which is one of the Congregate Meals sites. Since she is blind and arthritic, she will need assistance in utilizing this program.

One of the 23 participants, an 80 year old man, has been readmitted to Adult Day Care one day a week, regardless of federal financial participation, when his daughter offered to provide transportation to and from the center for him on her day off.

Mr. Rangel. Thank you.

Mr. Smith, Director of the Whitehaven Southwest Mental Health Center of Memphis.

STATEMENT OF WIB SMITH, DIRECTOR, WHITEHAVEN SOUTHWEST MENTAL HEALTH CENTER, MEMPHIS, TENN.

Mr. Smith. Thank you, Mr. Chairman, I am Wib Smith.

The mental health center is in the business of dealing with private small disasters among families and individuals, usually not involving physical medicine but sometimes involving aspects of physical medicine, also.

We are starting to see the first of individuals who are threatened with starvation and death because they are either losing their benefits or they are not getting adequate care. The staff of the mental health center acts as advocates for individuals who can be promoted toward growth and independence where that is possible or, and this is most of our population, maintained in the community and avoiding return to the State hospital or to a nursing home.

Mr. Jenson indicated that I could bring staff with me and I had hoped to have a patient. Is it permissible to turn the mike over to Linda Oxford and John Martin at this time?

Chairman Ford. Yes, it is.

STATEMENT OF LINDA OXFORD, WHITEHAVEN SOUTHWEST MENTAL HEALTH CENTER, MEMPHIS, TENN.

Ms. Oxford. Thank you, Mr. Ford and gentlemen.

I came mainly to represent a couple of my clients that the funding cuts have affected drastically.

One of the main things we do at the mental health center is deal not only with diagnosed mental disability but also we have to deal with the interaction between the physical problems a person may have, social problems as well as the diagnosed mental problems.

Because of the cuts that have so recently been made, the problems of physical limitations, lack of resources are becoming more of an impact on a person's mental status. I guess a sample of the two clients I'm working with presently would be good ones to start with.

One of my clients, E.T., is a middle-aged male who was notified in July that he would be terminated from his social security disability and his medicaid in September. He received his last check in September. He had been receiving disability since 1973, has been unable to hold a job of any sort from that period to the present.

He has numerous documented physical disabilities and his own personal physicians have written letters to the social security examiners stating that in their opinion he is not capable of working.

I have here a notification from the Social Security determination of disability board stating that because they have sent him to their doctors to be examined, they had no need of information from his own physicians who had been treating him since 1973. On the basis of the examination made by the doctors that E.T. was sent to in June, a new determination was to be made.

It was found that he is capable of working; however, that report is in conflict with both of the private physicians that have been treating him from 1973 to the present.

E.T. has appealed this decision. His request for reconsideration was turned down and at this point he will be going through the board of hearings and appeals to try to get this decision overruled.

He was going to be with us today but unfortunately he has not been able to receive regular medical attention, which his condition warrants, and because of that he was taken to the city hospital this morning on an emergency basis by a family member, and I do not know what his condition is presently.

Another client that I'm working with, N.F., is a middle-aged female. She has worked for 20 years as a nursing assistant, nurse's aide in home nursing care. This is a good example of what I meant by the impact of a person's physical problems on their mental state.

This lady had compounded physical difficulties which culminated in a stroke last November. As a result of the stroke she was hospitalized, was told that she would be unable to return to her employment as a nurse's aide. She was very distraught by this, found it really impossible to adjust to her radically altered lifestyle as a result of this stroke.

Consequently she became psychotic one night, went racing through her house, destroyed many items that were more of sentimental than material value to her, but nevertheless really important to her, and as a result of that entered the mental health system by being hospitalized at the State hospital in Memphis and then from there was channeled into our system.

Today, I have been unsuccessful in helping this lady obtain any sort of social security benefits for her condition, although she has worked all her life. She is now on limited medicaid, which means that as far as her mental health center visits are concerned, it does not cover the cost of her medication, but limited medicaid will cover psychotherapy sessions.

Unfortunately, chemotherapy is also a vital part of her treatment at the mental health center and she has no way to pay for that, presently.

As you've heard before, that doesn't mean that we're closing the doors on these people, but it does mean that the mental health center is having to come up with money to provide medication for these people who are going to end up in our State hospitals if they are not medicated and cannot receive other services that we deem necessary for them.

If the money can't come from them or from medicaid, it's got to come from somewhere. So far we've been picking up the tab, which causes a significant drain on us, which in turn results in limited services that we can provide, service cutbacks, staff cutbacks, much of the same as you've been hearing all day.

But, I wanted to tell you about these two people to show you how the physical disabilities can be really interwoven with what we're trying to do at the mental health center.

It's impossible to treat these as two separate problems. The mental status of the handicapped is very much related to their physical handicaps. And in the case of people who become disabled at middle age, just the stress of having to rearrange and readjust to their often radically altered lifestyle can cause a serious mental breakdown, which I guess is often referred to as a nervous breakdown. And that's where we enter the picture there.

Chairman **Ford**. Thank you very much.

Would you state your name, please?

STATEMENT OF JOHN MARTIN, WHITEHAVEN SOUTHWEST MENTAL HEALTH CENTER, MEMPHIS, TENN.

Mr. **Martin**. My name is John Martin, and I am employed by the Whitehaven Southwest Mental Health Center.

I am presently working with a client who was predetermined for social security eligibility and medicaid benefits in July. October 3, he did not receive his benefit check or his medicaid. He reported to the social security office as directed by me and found that his benefits had been terminated.

All of the necessary information had been given to the appropriate agencies at the correct time. We are presently attempting to get these benefits back for him. He saw me about 2 days after he did not receive his check and he was ready to go back to the hospital.

He entered the mental health system in 1973, had numerous psychiatric hospitalizations. It is necessary for him to receive his medicaid benefits to pay for psychotrophic medication.

Chairman **Ford**. Thank you very much.

Mr. **Smith**. As kind of a windup, the reduction in the title XX programs, as you have already heard, and also what appears to be a reduction in title XIX benefits for a number of patients at the mental health center, do mean that we will be able to give fewer services in the future.

Seven years ago when this mental health center started, there were 185 people in the State hospital system from this particular catchment area. Today the figure is about 80. The cost of keeping those 80 to 85 people who are now out of the hospital is more than the entire mental health center's budget.

I think we are cost-effective and we hope you can do something about title XIX and title XX.

Chairman **Ford**. Thank you very much.

Ms. Mary Lynn Williams.

STATEMENT OF MARY LYNN WILLIAMS, DELTA AREA AGENCY ON AGING, MEMPHIS, TENN.

Ms. **Williams**. I am with the Area Agency on Aging. I am representing Phil Whittenberg who is with the office of planning and Development and also 107,000 elderly people that live in Fayette, Lauderdale, Shelby, and Tipton Counties.

I would like to address four different areas that I have seen impacted by the various cuts.

The first one is in nutrition. In Tennessee title XX shifted the full responsibility of home delivered meals over to the title III (c) Program. A total of 1,900 meals, statewide per day or 494,000 meals per year were picked up by Area Agency nutrition providers without any additional funding.

For the Delta Area Agency, this meant 275 meals a day or 75,500 meals for the year. So that no clients would be terminated we consolidated offices, we did away with the nutritional education outreach programs, we started a schedule of attritioning down our congregate meals so that we could take care of the home delivered meals; we thought that was a priority. By the end of the year it will drop 140 clients from congregate meals.

We reached into the community for sponsors of disabled home delivered meal participants who were not eligible for title III (c) meals because there is a 60 years of age requirement. This is one area that made me very nervous about the block grant decisionmaking on the State level, because the underage participants were not thought of when title XX dropped the home delivered meals program.

The reduction in food stamps has had a double impact because it increases the unmet nutritional needs of the elderly. While experiencing increased demands we're experiencing a reduction in food stamps in the contributions toward the meal.

At the moment we have approximately 150 people on our home delivered program waiting list. And I might add at this point that this is forcing professionals to play God. They are having to make a decision on who is going to be the next person to have that home delivered meal. And I think from the testimony we have heard earlier, professionals are making life decisions because of these funding cuts.

Transportation, we experienced a 15 percent cut in our title XX transportation, which resulted in some clients having no transportation whatsoever, and a large amount having a reduction in the number of days.

Memphis was also unique in having one of the very few programs in the nation providing nonemergency ambulance service for homebound bedridden clients. Now cancer and kidney patients quite often require two or three times the visits to doctors and hospitals or clinics for very specialized treatment.

Because of the title XX cuts, this program was faced with the awesome decision of either serving less people two to three times a week so that they could receive their full treatment, or serving the same number of people only one time per week, which would result in ineffective medical treatment. Again, a decision that I feel was very difficult for the provider.

This is another area that our volunteers and our families cannot pick up. They cannot carry bedridden people to the doctors without this specialized ambulance service.

Also the agency had a special contract with the funeral home for $21 a round trip, whereas an individual using normal non-emergency ambulance service would have to pay $75 one way.

In the homemaker-companionship area, the average elderly person receiving this type service is female, over 65, lives alone, has multiple medical problems, is bedridden, or extremely frail and remote from family and friends.

One agency serving an extremely impoverished area in North Memphis was completely closed down because title XX deleted companionship services entirely from their funding categories. This was a State decision which was a result of Federal budget cuts.

One of the senior centers picked up the volunteer components but cannot pick up the paid professional portion, so there's a limitation to what volunteers can pick up.

The agency service area was identified by the Area Agency as one of the critical target areas which had a high poverty level, had a large number of people who were over 75, and a large number of minority and a large number of people living alone.

Another agency providing homemaker services reduced staff by 6 and has a documented waiting list of 450 people. I asked the project director what these 450 people were doing, since most of them are coming straight out of the hospital and need homemaker services. She said they're just doing without and many of them are dying before they get the service.

In living arrangements the Delta Area Agency has been working closely the past year with local and State officials to correct the horrendous boarding home situation that occurred here. Federal and State and local budget cuts have eroded the tremendous progress made in this area.

We used to have joint inspections that were made by a number of agencies and now some of that is reduced because of reduction in staff.

Medicaid cuts are forcing more people into the boarding homes which creates proliferation of unlicensed boarding home operators. We are seeing the elderly renters who don't know where to turn because of rent increases that they can't meet.

Approximately 45 percent of the elderly in our district live on less than $350 a month. They are literally being forced to choose between paying the rent or buying food, paying the utility bills or seeing a doctor.

The heat wave of 1980 documented numerous examples of people who said that they hadn't eaten in days because they had run their fans and they were afraid they couldn't pay their bills, or vice versa.

I personally found people dying of heatstroke and who later recovered and told me that they hadn't run their fans because they knew they couldn't pay for the utility bills.

The economic situation hasn't improved at all since then and the Federal cutbacks have compounded the plight of the elderly. We cannot close our eyes and feel comfortable with the facts and figures that emphasize that 65 percent of the elderly are making it while 35 percent of them are living in substandard housing or other unsanitary and unhealthy living situations.

I feel these United States have a responsibility to the 35 percent who need the only meal that they get from a nutrition site, who must have medicine and medical care to survive, who shouldn't suffer during the freeze of winter or the heat of summer. Local control cannot coordinate that which they don't have or pull volunteers who are now in the work force.

I feel the Federal and State Governments have a responsibility to the poor, frail, elderly to provide minimal but basic needs.

We simply cannot balance the budget at the expense of human lives.

Thank you.

[The prepared statement follows:]

STATEMENT OF THE DELTA AREA AGENCY ON AGING, MEMPHIS, TENN.

Mr. Chairman and members of the Committee, I am honored to appear at your hearing on the critical state of the elderly in West Tennessee due to the recent changes and Federal budget cuts in Medicaid and Title XX Social Services. I might add that because of inflation, no increase in Older American Act funds resulted in cutbacks.

NUTRITION

In Tennessee, Title XX shifted the full burden of responsibility for the provision of Home Delivered meals, commonly referred to as Meals on Wheels in other states, to Title III C without providing any funding. A total of 1900 meals per day or 494,000 meals per year were picked up by Area Agency on Aging nutrition providers with no, I repeat, no additional funding. For the Delta Area Agency this meant 275 meals per day or 71,500 meals per year. So that no client would be terminated from the congregate or home delivered meal program, our provider did the following:

1. Consolidate two offices.
2. Discontinue the nutrition education and outreach program.
3. Established a schedule of attritioning down the number of congregate meals throughout the year.
4. Reached into the community for sponsors of disabled home delivered meal participants who were not eligible for III C meals because they were under the age of 60. For example 10 elderly ladies pooled their money and paid the yearly cost of $825 to sponsor one of their neighbors.

The reduction in food stamps is also creating a double impact on the nutrition program. Reduction in food stamp allotments increased unmet nutritional needs in the elderly which results in increased demand for our III C congregate meals. Since III C meal programs can accept food stamps for contribution towards the cost of the meal, the program, while experiencing increase demands, is also experiencing a reduction in contributions. The Home Delivered meal program has a waiting list of approximately 150 persons.

TRANSPORTATION

Our congregate meal site transportation experienced a 15.5 percent cut in funding from Title XX resulting in Whitehaven having no routes, a 2nd route in Orange Mound being cut and a reduction in service in the Summerfield and Lester areas. Whitehaven was chosen because it was a higher income area than other routes and yet it does have a large number of frail elderly. In hard numbers, 2 vans normally carrying 25-30 people per day are no longer running.

Memphis was unique in having one of the few programs in the nation providing nonemergency ambulance transportation for homebound, bedridden clients. Kidney and Cancer patients usually need specialized treatment 2-3 times per week. However, because of Title XX cuts, this program faced the awesome decision of either serving less people 2-3 times per week so that they could receive their full treatment or serving the same number of people only one time per week which would result in ineffective medical treatment. They decided to reduce the number of clients and client trips from 72 clients at 110 trips to 48 clients at 60 trips per month. By rearranging medical appointments, rotating patients, bumping some into the next month and working with doctors and families no one was actually terminated, yet most are receiving reduced or delayed services. This is one area where volunteers and families can not pick up the burden. Through a special agreement, the agency contracts with a funeral home for $21 a round trip where an individual using normal nonemergency ambulance service would be charged approximately $75 one way.

HOMEMAKER, COMPANIONSHIPS

The average elderly person receiving this type service is female, over 65, lives alone, has multiple medical problems, bedridden or extremely frail and remote from family or friends. One agency serving an extremely impoverished area of North Memphis was completely closed down because Title XX deleted companionship services entirely from their funding category. This was a state decision which resulted from federal budget cuts. One of our Senior Centers picks up the small Volunteer component but volunteers could not pick up the paid professional portion, resulting in less services for the elderly who needed it the most. The agency service area was identified by the Area Agency as a "critical target area", meaning the census tracts had one of the highest poverty levels and largest numbers of people who are minority, over 75, and living alone. Another agency providing homemaker services, reduced staff by 6 and has a documented waiting list of 450 persons.

LIVING ARRANGEMENTS

The Delta Area Agency has been working closely this past year with local and state officials to correct a horrendous problem with the local boarding home situation. Federal, state and local budget cuts eroded the tremendous progress made in this area. Joint inspections formerly made were reduced because of the multiple cuts. The number of Fire Inspectors was reduced. Tennessee Public Health has one residential care inspector to cover 45 counties and local health officials can not meet the burden. Medicaid cuts are forcing more people into the boarding home scene which creates the proliferation of unlicensed and underground boarding home operations. Added to this problem is the fact that the over 75 population is the fastest growing age segment, therefore increasing the need for long term care in specialized settings.

We are beginning to get reports from the housing area where elderly people are being forced to sell their homes because they can neither maintain them nor meet increased taxes, utilities and maintenance costs. We are seeing elderly renters who don't know where to turn because of rent increases they can not meet. Approximately 45 percent of the elderly in our district live on less than $350.00 per month. They are literally being forced to choose between paying the rent or buying food; paying their utility bill or seeing a doctor. The heat wave of 1980 documented numerous examples of people who said they hadn't eaten in days because they ran their fans and were afraid they wouldn't be able to pay their utility bill. I personally found people dying of heat stroke and who later told me that they didn't run their fan because they knew they couldn't pay their utility bills.

Mr. Chairman and Committee Members, the economic situation has worsened since the Summer of 1980. Federal cutbacks have compounded the plight of the elderly. We can not close our eyes and feel comfortable with facts and figures that emphasize the 65 percent of the elderly who are making it while 35 percent are living in substandard housing, fire hazardous boarding homes or other unsanitary and unhealthy living arrangements. These United States have a responsibility to the 35 percent who need the only meal they get from a nutrition site, who must have medicine and medical care to survive, who shouldn't suffer during the freeze of winter or the heat of summer. Local control can not coordinate that which they don't have nor pull volunteers who are now in the work force. I feel the federal and state governments have a responsibility to the poor, frail elderly to provide minimal but basic needs. We simply can not balance the budget at the expense of human life.

Chairman **Ford**. Thank you very much.

Before I recognize the members of the committee, I would like to recognize Mrs. Joyce Blackburn in the audience. If you would like to bring your kids down with you, that will be fine.

Mrs. **Blackburn**. Sir?

Chairman **Ford**. If you would like to bring your children down with you, that will be fine. Come to the open mike here.

STATEMENT OF JOYCE BLACKBURN, MEMPHIS, TENN.

Mrs. **Blackburn**. I didn't mean to interrupt or disrupt. I have been waiting impatiently for my chance, and I have never come to a meeting before, so this is a first for me.

And I would like to share a few things with you all. I have heard lot of people speaking for the poor—can you all hear me? Because I want you to hear this.

I have heard a lot of people speaking for the poor. I am from the middle class. My husband was telling me today that we are one of the 7 percent in the Nation,, in that my husband works, we have two children that are our children, and I do not work. One of the main reasons I do not work is because the Heavenly Father prepared me for what was coming.

I was pregnant with my second child, Lynn, who is in the wheelchair, when I decided that I needed to quit work. It was a prompting, a necessary thing and now we know why. I knew from the word go there was something wrong with my child, and I am one of those very logical people. We got immediate help for Lynn. I pressed them, they wanted to wait to get help for my child. They kept saying let's see how she goes, let's see how she will go. From the word go, she would not even suck, which is the first thing a child does.

We had great plans for our child, and it is our belief that all children are children of God and have a right to exist. And we are thankful for our children. We wanted the best for both of our children. As you can see, I have a perfectly healthy, normal, active 4-year-old, soon to be a 4-year-old, and then I have Lynn who cannot do anything normal, nothing normal.

We went to Les Passees, which was the first and foremost organization. Some of you gentlemen are not aware of them. They did give us minimum help because we had a medically unstable child, who has seizures for those who don't know what that means. We were not satisfied with the help they would give Lynn because of the rules and regulations of this particular agency; Lynn was medically unstable because she had seizures. These seizures do not affect her breathing or anything. There are doctors and everything available to this child right there in the agency.

Anyway, we accepted—well, we didn't accept; we fought their ruling that Lynn would be put on a program called the home program, which meant once a month they would say, "Uh-huh, she is doing OK."

All right. I went out and immediately tried to get help at other agencies because I believe in professionals and I count on the professionals to do what is right. I tried to get some place that would give my child physical therapy because I, as an individual, could not do everything that was necessary to take care of such a severely handicapped child. There was no agency available. I don't think you realize when you cut these moneys—and this is my point—I don't get any aid from anywhere. I don't get any funds from any agency, Federal Government, State Government, or anywhere. But when you start cutting these moneys, you start cutting services. OK. If it is not available to the poor, it is not available to those who can afford it.

Now we are not rich by any means, but if your moneys, your State moneys, your Federal moneys, are the foundation of the organizations and when you start messing with these moneys and not knowing what you are doing, some people don't even know what some of these things these people have said mean, such as respite care. I will bet 95 percent, 98 percent of you guys don't even know what that means.

When you start messing with moneys for the handicapped, it is such a technical, specific field that it is just ominous when you start messing with it, and don't know what you are doing.

Now you say we can depend on our insurance to pay for services. OK. That is good enough if the services are there. But your insurance does not pay for all services. The insurance does not pay for speech therapy for a child like Lynn. On Lynn that means teaching her to eat. You cannot survive if you do not eat. They were fixing to put my child on a tube through her stomach to teach her to eat. Well, luckily I was warned from the word go that you have a severely handicapped child, keep something in your back pocket. The public school system in Memphis, Tenn., has a service. It is not demanded by law to exist, it is a service. And they don't—they are not required to serve children in the State of Tennessee under the age of 4.

OK. I was lucky enough to get on the waiting list while I was going to Les Passees, which is a no-no; you are not supposed to be trying to get something else. I was also on the waiting list for Forget-Me-Not. I heard they were folding, so there went my No. 2 choice. Then I went to the No. 3 choice, which was the city school system.

Again, if you all cut the funds, the first thing to go is going to be the handicapped, special education. I heard a gentleman say—I am sorry I can't tell you which one—said Public Law 94-192—I get all confused. You can tell I am just an ordinary person. But anyway, he said that the education was bogged down with trying to serve those special education people. Well, let me tell you, those are the first ones to go.

We want to take care of our child. Lynn, according to most people, belongs in Arlington. Arlington, for those who don't know, is a residential care. OK. They don't want babies in that place because we as mommies and daddies can take care of them if we have the help, the little bit of help, the little bit of therapy, the little bit of services that keep us going to take care of our children.

Now I hope my child will never be dependent on Federal or State moneys and God forbid, I don't even want the SSI funds when she is 18. If I am able to take care of my child, I want to take care of my child. They offered me free lunch simply because my child was handicapped; they said all handicapped children in our school at this time get free lunch. I said, "No, that's not right. I can pay for my kid's lunch. I can pay the 90 cents a day."

Please, I am begging of you. I have made phone calls to all kinds of people and got no response. Please be very careful and very cautious when you start cutting these funds and moneys because keep in mind that if you cut the moneys services will go, and then these severely handicapped will suffer.

I have lost my train of thought. I am sorry.

The services will not be there and the early intervention which Mrs. McDaniel was talking about is so important. Children like Lynn wind up, at her age, without therapy, wind up having surgery that costs tens of thousands of dollars to try to give them the opportunity just to crawl, just to hold their head up. My child can't even hold her head up. I don't think you really realize what you are messing with.

The access to care Mr. Bailey was talking about is so true. Mr. Bailey, you just don't know how true it is. The organizations fall apart. I have five friends, five immediate friends that have no services whatsoever, and they have handicapped children. One girl has twins, cannot get any help; or even if she could pay it, cannot get her kid in a school or organization. She has no services. I mean nothing, not even a home program. No one to tell her when to put a brace on that kid's legs. It is all because of funding cuts.

Mrs. McDaniel was talking about the funding cuts at her organization. They made room for some kids from Forget Me Not at the expense of my child. My child did not progress at what they thought she should progress at, so she was moved out to make room for other children. Sure, they will tell you she is on the home program. But let me tell you, 15 minutes a month with a handicapped child isn't worth a flip. So you all keep that in mind.

The school system has been able to teach my child to eat real food; not baby food, salisbury steak and lima beans. She can eat food. That may not sound like a big deal to you all, but it is a tremendous ordeal for the momma and there are plenty of mommas considering institutionalizing their children. One lady quoted a $24,000 a year per patient. That is minimal when it comes to a child. So please, I beg of you, think about what you are doing.

Thank you. Would you all like to ask me a question? Since I am strange to this group, I don't——

Chairman FORD. Well, the Chair will recognize members of the committee and if they have any questions, I am sure they will ask them.

Mrs. BLACKBURN. OK, and I am sorry to interrupt. I didn't realize they were going to do that. I just wanted to be on the list.

Chairman FORD. I have one question. Is that the city of Memphis public school system that you made reference to?

Mrs. BLACKBURN. Yes. The program is called Peach. It is a service. There are 17 children in there between the ages of 0 and 4, and there is over a year and a half waiting list for it.

Chairman FORD. Thank you very much.

Chairman Rangel?

Mr. RANGEL. I just wanted to thank all of you; but you, particularly, Mrs. Blackburn, because I know it takes a lot of courage to come out and express yourself as you not only did but insisted upon.

I recall when Mr. Stockton testified before this committee, I asked him what he expected the people who were dependent on these programs to do once they were cut. And Mr. Stockton said, "Mr. Rangel, they will do whatever they did before there was a program." And somehow we vote in the Congress with an eye on getting reelected, and a lot of people thought that the only way they could get reelected was to do what the President told them to do. They don't know about Lynn. They don't know about the people that are rejected service in the hospitals. They just did what was popular at that time.

I am confident that through hearings such as this, or even without hearings, the American people will be heard and that there will be a favorable response in favor of changing what is basically just bad Federal policy. But what bothers me is that during the period of time that we are going through right now, there is so much silence among those individuals and groups that today are not adversely affected.

And as a churchgoing Christian, I can almost take book that there is not a preacher in the house, and yet you have to come forward and plead for your child when there is so many organizations that should be here with us.

Have the churches come forward to ask what they can do politically or to assist in reversing this political decision?

Mrs. **Blackburn**. May I say that we are pounding on doors. I am a member of several organizations here in town. In the case of respite care, we are going to our individual churches—I am a member of the Cerebral Palsy Council. We are going to our individual churches and asking them just to come help us with the respite care situation. I am not particularly in need of respite care. Respite care being—maybe I should tell you all—is temporary care for children. Say my momma died and I had to go bury her in Las Vegas where she lives, of all places, and I had to take care of her. People do not readily accept a handicapped child, even your own family. Respite care can give you temporary relief from the burdens, and you never see burdens like this. For that specific need, we are going to our churches.

Mr. **Rangel**. I am asking have the churches come to you?

Mrs. **Blackburn**. Have they responded?

Mr. **Rangel**. No, I am not. I guess the church will respond like anybody else, but——

Mrs. **Blackburn**. Everybody is hitting up the churches, every organization, not just the handicapped. I think every organization is knocking on the churches.

Mr. **Rangel**. That is what I am trying to say, Mrs. Blackburn. That if someone felt the political need to support the overall budget cuts, I think they would be in a better political position to reevaluate that position if they knew that when they got back home, there wouldn't just be Lynn's mother confronting them. You are so right when you say that the first thing that goes in the public school system would be this creative program because even my mayor in the great city of New York believes that providing—services for the handicapped is not using limited dollars to their maximum number of people.

So what they are saying is they are counting votes and I think that if our ministers would stand with those who don't have the power such as your little Lynn and if they would stand behind those that would be making the decisions, that it may be a lot easier for some of them. You know, there were only 176 votes against that budget. I don't blame you for throwing us all together, but 176 of us said that that package didn't make sense and we are part of that 176 but we have to be responsible for what our Government does and I was just wondering, since I don't want to embarrass myself, as to whether or not the churches in this area have been more active than they have been in my city.

Ms. **Williams**. We had an example with the home-delivered meals program where our provider went to the media and we have gotten good coverage in the newspaper, pleading, in the TV and newspaper, pleading for sponsors. Eight hundred twenty-five dollars would pay for one home-delivered meal a day for a year and we have appealed to Sunday school groups and church groups, Church Women United, for picking up those people that fell through the cracks in title XX. We received 19 which covered those people. We were hoping we would go over so we could pick up some of the people that were on the waiting list, but we didn't.

Mr. **Ford**. What about in the business community, out of that 19, you named mainly church groups.

Ms. **Williams**. It was mostly church groups and individuals, but it was publicized so corporations were aware that we had a serious problem with the home-delivered meal program.

Mr. **Ford**. I gather you were talking about churches coming together for the purpose of getting the message across, similar to—let's be frank, moral majority got involved from the church standpoint in the last campaign and I would assume that you are talking about churches uniting similar to moral majority to advocate. Now we want to know whether or not the church community has come back together to understand and to realize what has taken place at this particular time as it relates to children like little Lynn.

Mrs. **Blackburn**. The churches will not realize until individuals like me go to them. And one of our major problems is getting the individual off their can and busy. It would have been easy for me to stay home and do what I was supposed to do, such as my husband's laundry that's still on the table and he has to hunt for his socks. It would be real easy for me to sit back and do that, but I am not the type of person that can do that and I know several of my friends who cannot speak for themselves. Since God has blessed me with the ability and given me the problem of speaking out, I feel that it is necessary and until just the ordinary person starts pounding—when they voted on the title XX money and they talked about this 90-percent attendance rate—this is the State of Tennessee, excuse me, for those that don't know the State of Tennessee, 90-percent attendance rate in a daycare center. That also grouped in handicapped children. Well, let me tell you, handicapped children are not healthy children. It's more logical that 75-percent attendance, but 90-percent attendance of handicapped children who usually have heart problems, lung problems, all kinds of things, it's just unreal. They are going to cut moneys if the kids aren't there 90 percent of the time. That is just asinine, it is just ignorance of what exists.

If some of these people, some of the public would volunteer to work with some of these people and if the people were interested enough to ask for volunteers maybe it would make more sense.

Mr. **Ford**. Thank you very much.

Mr. Anthony.

Mr. **Anthony**. I have no questions, Mr. Chairman.

Mr. **Ford**. Mr. Bailey.

Mr. **Bailey**. Thank you, Mr. Chairman.

I would like to thank all of you, particularly you, Mrs. Blackburn, because I think, in the face of a real problem in this country and this is a takeoff on something Chairman Rangel said, when you get down and, really for us as politicians who essentially have to perform a representative function, it becomes an analysis of political forces upon which policy decisions are made.

When you talk about access to some of these needs, you find that there are large numbers of Americans who feel disenfranchised. Many of us respond to myths and misperceptions and that is the reason why we vote certain ways and that is why some Congressmen perhaps vote for—well, I don't think anyone here voted for the particular spending cuts involved here.

But those kinds of things happen. You sit down and you talk about fraud. The difficulty with fraud in the system is that if a person has the intent and the proclivity for fraud he's someone who is going to find a way. They will steal from the system, they will rob the poor, they will take advantage of the Government and they are essentially survivors, and that is what they will do.

At a time when we should have been looking at ways to make programs more effective, at times when we should recognize the pride that welfare workers—I have got fantastic welfare workers at home, they volunteer their time to go out and help people, they locate cases where Government programs won't reach them, they have dug into their pockets to pay for fuel oil for elderly citizens because they couldn't get a program to break loose—I don't see those kinds of stories in the newspapers and that is the sad part of the problem. At a time when we should have been examining on a case-by-case and program-by-program basis, the various programs of this sort, pragmatically taking them apart, identifying waste, tightening them up, although I think that waste is hugely exaggerated, grossly, grossly exaggerated, we didn't do that. And what is going to happen is the least capable among us, the ones that don't speak out, the quiet and the meek are going to suffer quietly in their apartments and in their homes. Those are the people that are going to suffer and then there will be another reaction when we start reading how people are dying and babies are dying. We will come back.

Thank you, Mr. Chairman.

Mr. **Ford**. Thank you very much, Mr. Bailey, and thank each member of the panel for appearing before the committee today.

Thank you very much.

To the members of the committee, as the chairperson of the Public Assistance Committee and the joint committee today, I have to say that these have been very informative field hearings here in Memphis and thanks to the many witnesses who have appeared before the committee with their testimony. The information which we have received today will be very, very helpful to us. And as the chairman of the subcommittee, I talked with Chairman Rangel of the Oversight Committee as well as Chairman Waxman of the Medicaid Subcommittee, and they both have indicated that we would like to request from the stand at this time that we would have preliminary copies of the testimony today prepared for us within the next 10 days where we might be able to share this with our colleagues in Congress, as well as submitting copies of the testimony today to the administration for their review. I think it is vital and I think it is important that we would go on record today saying that we will have this first field trip hearing testimony today prepared for the Members of the Congress and the administration within the next 10 days. And even if we would have to meet within the next 10 days or go over some of the testimony, I know that will put the staff on the spot to prepare the court reporter's—review of the total testimony within the next 10 days, but I am hopeful that we will be able to be privy to this information so we can give it to the leadership in the Congress as well as the administration.

Mr. Rangel, if you would like to comment on that, or other Members of the Committee, I will be glad to——

Mr. RANGEL. No, I think that the testimony spoke for itself. I would like to just thank the staff that have been able to identify the witnesses for us and certainly again thank you for providing the leadership in bringing us together to establish the record.

Mr. FORD. I would like to hear from staff. Ken, do you think it is possible we might be able to get with the other staff members and all try to prepare the testimony today within the next ten days for the Committee Members, so we can share it with some of our colleagues in Congress?

VOICE. Yes, we can do that. We have just been assured by the court reporter that she can have the testimony, and it doesn't take us long to go through it.

Mr. FORD. We can come together within the next ten days to do so and hopefully have some final report ready, or preliminary report ready, for at least some of the witnesses here to share with our colleagues.

Mr. Anthony, do you have any comments on that suggestion?

Mr. ANTHONY. Mr. Chairman, I think what you have suggested is well taken. I would just like to say from this newest Committee Member's viewpoint, the value that I think this hearing has demonstrated and I hope further hearings will demonstrate. It takes cold budget figures that we have to deal with in Washington and turns them into warm human beings that are the ones that are going to be required to go through the pain and suffering that has been talked about. I think once that is done, that it does what an old trial judge used to say to me every time I lost a jury trial. It puts the milk of human kindness back in you. I must admit that I will go back to Washington, D.C. with a lot more milk of human kindness in me than I came down here with and I think to that extent it was very worthwhile.

Mr. FORD. Thank you very much, Mr. Anthony.

Mr. Bailey.

Mr. BAILEY. No comments. I just want to thank you.

Mr. FORD. We are really talking about the report, do you care to comment on the report itself being prepared within the next ten days for our colleagues?

Mr. BAILEY. No, Mr. Chairman, except I think it makes it doubly important that we get that work product and a chance to go over it. There was one comment here this morning, from your Governor, about the difficulty he encounters with our appropriation process and since we appear to be budgeting by appropriation process down there, as we all know, it makes it all the more timely. I think your suggestion, Mr. Chairman, is an absolutely excellent one.

I would also like to thank you personally. It has been a terrifically educational trip for me. I have never been down in this part of the country before and I have learned a great deal. Thank you.

Mr. FORD. I personally once again would like to thank each Member of the Committee as well as each witness who appeared before the Committee today, along with the staff members from the Oversight Committee, staff members from the Medicaid Subcommittee as well as the Public Assistance Committee, because without the staff persons this public session today would have been almost impossible. We thank you very much for coming and being here in my hometown to hear from three states about the problems they are faced with as it relates to severe budget cuts and that took place on October 1.

Again, I would like to thank all of my colleagues and the field hearing in Memphis is now adjourned.

[Whereupon, at 4:22 p.m., the hearing was adjourned.]

[The following were submitted for the record:]

RESOLUTION FROM CHURCH WOMEN UNITED IN TENNESSEE, SUBMITTED BY LORINNE CUNNINGHAM, MEMPHIS, TENN.

Whereas the goals of the National administration to strengthen the U.S. economy and to balance the budget are certainly commendable; and measures to meet these goals and to reduce unemployment need to be taken, and

Whereas cuts in federal spending and encouragement of capital investment, and, thereby production, would appear to be logical procedures, and

Whereas most of the cuts have been in social programs which have hit hardest at the very poorest sector of our society; and there are alternatives which would save the same amount of money, and

Whereas several alternative budgets have been suggested which would make reductions in areas such as the defense budget and subsidies to industry and agriculture,

Now, therefore, be it resolved that we, the Leader's Council of Church Women United in Tennessee, in session October 15, 1981, urge the President and the Congress to reconsider priorities and the announced further reductions in the social programs, from school lunches to foodstamps, to programs for the elderly poor, so that the "truly needy" will not suffer further deprivation. Also, we urge our Congressional delegation to use their influence to oppose any additional cuts in the social programs.

STATEMENT OF IDA L. NEIL, VICE CHAIRMAN, BOARD OF GOVERNORS, MEMPHIS HEALTH CENTER

Congressman Ford and Members of the Committee, I am Ida L. Neil, Vice Chairman, Board of Governors, Memphis Health Center, home address 2191 So. Wellington St. Federal cuts affects all of the poor people in one way or another.

The Medicaid program pays for medical care for the poor and elderly. Like all programs for the poor, there are more poor people than there are dollars for the programs. I am one of the persons who earn $5 over the eligible limit. So I cannot qualify for Medicaid.

How do the Federal cuts affect me? They affect me in obtaining medical services.

Health centers are funded by Federal grants to help provide medical service for the poor. The fee for the service is on a sliding scale. In order to offset some of the cost of providing the service there is a pharmacy to obtain medicine. The Department of Public Health is billed for medicine for patients who are on Medicaid.

With the cuts in Medicaid it is no longer possible or profitable to stock the medicine. Other patients like myself will suffer because we cannot obtain the medicine at a no-or-reduced rate.

With grant funds being cut to health centers we can see in the near future as not being able to get medical attention as needed.

Poor medical attention means poor health. Poor health means not being able to hold a job. No jobs mean more poor people. So the cuts in state and federal spending will eventually affect everyone in one way or another. Thank you.

STATEMENT OF WILLIAM F. MOYNIHAN, EXECUTIVE DIRECTOR, METROPOLITAN SOCIAL SERVICES, NASHVILLE, TENN.

IMPACT OF CUT IN FEDERAL TITLE XX FUNDING ON MSS ADULT DAY CARE PROGRAM

Prior to October 1, 1981, Metro Social Services was receiving federal Title XX funds, on a 75/25 percent matching basis, for the provision of day care services at its Knowles Home for the Aged to as many as 65 elderly and disabled persons per day. Since most participants attended less than five days a week, but at least the required two, the number enrolled in 1980-81 was usually 110, and the utilization rate around 90 percent. The number of hours' care per day was six, including transportation to and from the center for most participants.

The participants are persons 60 years and older, with low incomes, whose physical and mental functioning and social situation are such that they need individualized services in a protective setting with their contemporaries during the daytime. At least 24 of those enrolled had been hospitalized for significant periods of time (up to 50 years) in state institutions. Services provided them include nutrition (a full meal and two snacks) health care, physical fitness program, arts and crafts instruction, planned recreation and informal education, parties and outings, casework help with individual needs and problems, referral services, etc.

On October 1, 1981, the funding of this program was reduced by ten percent, or $14,404.00, for the remaining nine months of the fiscal year. This was due to a reduction of 18 percent in the federal government's Title XX appropriation to Tennessee under the Omnibus Budget Reconciliation Act. Other MSS Title XX programs were cut from ten to 100 percent, and contract services in the region were cut 21 percent overall.

It was necessary to revise the Adult Day Care budget downward. The administration, with Board approval, rolled back a Senior Social Worker to a Social Worker position, abolished two positions, Typist-Clerk and Driver-Custodian, turned in one of three vehicles used for transportation of participants, and revised the routes of the remaining two drivers and vehicles so as to serve the greatest number in the shortest time. The lower staff-participant ratio and shorter transportation routes made it necessary to discontinue service to 23 participants who lived farthest from the center or from the new transportation route.

The 23 participants dropped from the program range in age from 44 (a retarded person) to 87. The median age is 72. Three are 80 and older. Seven are men, 16 women. The incidence of health problems among them is as follows: Cardiovascular, 7; arthritic, 6; emotional (e.g. depressive), 6; pulmonary, 3; diabetic, 3; retarded, 3; blind or visually handicapped, 2; and cancer, 1.

Each of the 23 participants was given formal and informal notice of discontinuance of service due to the reduction in federal funds. Each one was also offered assistance in finding other services to meet their needs. They were invariably grief stricken over the loss of the service and expressed their feelings orally and in writing. Following is an excerpt from a letter written by a 63 year old woman:

". . . I can't begin to tell you how I feel, I'm going to miss going. I have met so many wonderful people since I (began attending). . . . I just had an operation in May . . . cancer . . . my right arm hasn't healed good yet . . . I still take radiation treatment . . . When I came home, I had so many get well cards from all of my friends, also the Sunshine Cub, from the . . . center. I'm supposed to walk four times a day and workers at the center made sure that I did. I'm going to miss, I had always looked forward to going to the center . . . I'm going to miss all the people. I dread thinking what I'm going to do here in my . . . little bedroom since my daughter is away . . . I'm going to be awful lonesome here. I hope you can work something out for the others and myself . . ."

One wrote to the MSS director, the Mayor, and the Congressman. All said they would miss their friends and the staff at the center, and how lonesome they would be. Besides giving them an opportunity to express their feelings, the staff explored and developed alternate plans with and for them. Eighteen of the 23 were registered, for example, with the highly decentralized, 22 site MSS Congregate Meals program for the elderly, which is also federally funded under the Older Americans

Act (Title III). Although this program serves older people at higher levels of functioning and does not provide the same degree of individual attention as Adult Day Care, in at least one instance it proved to be a convenient resource: The Adult Day Care participant, 73, lives in a church related highrise which is one of the Congregate Meals sites. Since she is blind and arthritic, she will need assistance in utilizing this program.

One of the 23 participants, an 80 year old man, has been readmitted to Adult Day Care one day a week, regardless of federal financial participation, when his daughter offered to provide transportation to and from the center for him on her day off.

STATEMENT OF THE TENNESSEE NURSES' ASSOCIATION

The Tennessee Nurse's Association expresses great concern over the federal budget cuts for health and social services at the beginning of the current fiscal year. These cuts are necessitating rapid dismantling of many programs and services for which there is no immediate substitute. The mandated cutbacks will reduce or deny many needed services in the area of mental health, maternal child health, community health and special education. The 1981 Tennessee Nurses' Association House of Delegates adopted the enclosed resolution on health care budget cuts which emphasizes the concern of the membership of this Association regarding this matter.

The Tennessee Nurses' Association will continue to exert its efforts toward improving health care services for the people of Tennessee. In so doing the Association will both monitor and seek alternatives to the cuts already initiated by the federal government in health care services. We believe that it is the responsibility of this nation to assure the right of health care to all of its people and to provide for those services when they are not otherwise available.

HEALTH CARE BUDGET CUTS

Whereas professional nurses acknowledge the right of all persons for quality coordinated health care and,

Whereas the need for fiscal responsibility and cost effectiveness is important and

Whereas the Budget Reconciliation Act of 1981 includes reductions which do not reflect forethought as to the long range implications and which will jeopardize many citizens as they seek health care and

Whereas these budget cuts will significantly reduce the availability of health care to a number of groups, i.e., poor, minorities etc., as well as reduce the effectiveness of health care delivery services, therefore be it

Resolved, That the Tennessee Nurses' Association express our opposition to and concern about the health care budget cuts; and be it further

Resolved, That Tennessee Nurses' Association collectively, and the members individually, monitor the results and impact of these budget cuts on health care consumers in Tennessee, and make the data available to the public; and be it further

Resolved, That a copy of this resolution be sent to President Ronald Reagan, Governor Lamar Alexander, Senator Howard Baker, Senator James Sasser and all Tennessee representatives to Congress. (TNA District Presidents and TASN Presidents)

Adopted 198. TNA House of Delegates

STATEMENT OF BERTHA WILBERT, MEMPHIS, TENN.

Congressman Ford, counsel, ladies and gentlemen, I am Mrs. Bertha Wilbert, 943 Florida St., Community Volunteer.

As re: Proposed cuts and actual cuts in Title 20 funds, SSI, with the rising cost of living. It is causing a greater hardship for people on fixed incomes. With more unemployed people there's less money to take care of their health care needs. The cost of living Social Security raises are taken right back for Medicare Insurance. Where will it all end? When people have to beg and be issued everything by the government it is still slavery. Congressman Ford we appreciate what you try to do. But I wonder, why hold hearings and the government go right on and do what they started out to do in the first place?

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